

# Nation's Business

USEFUL LOOK AHEAD

MAY 1965

## WHEN NEXT BIG TAX CUT WILL COME

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## HOW TO SELL NOW

Top salesmen's secrets

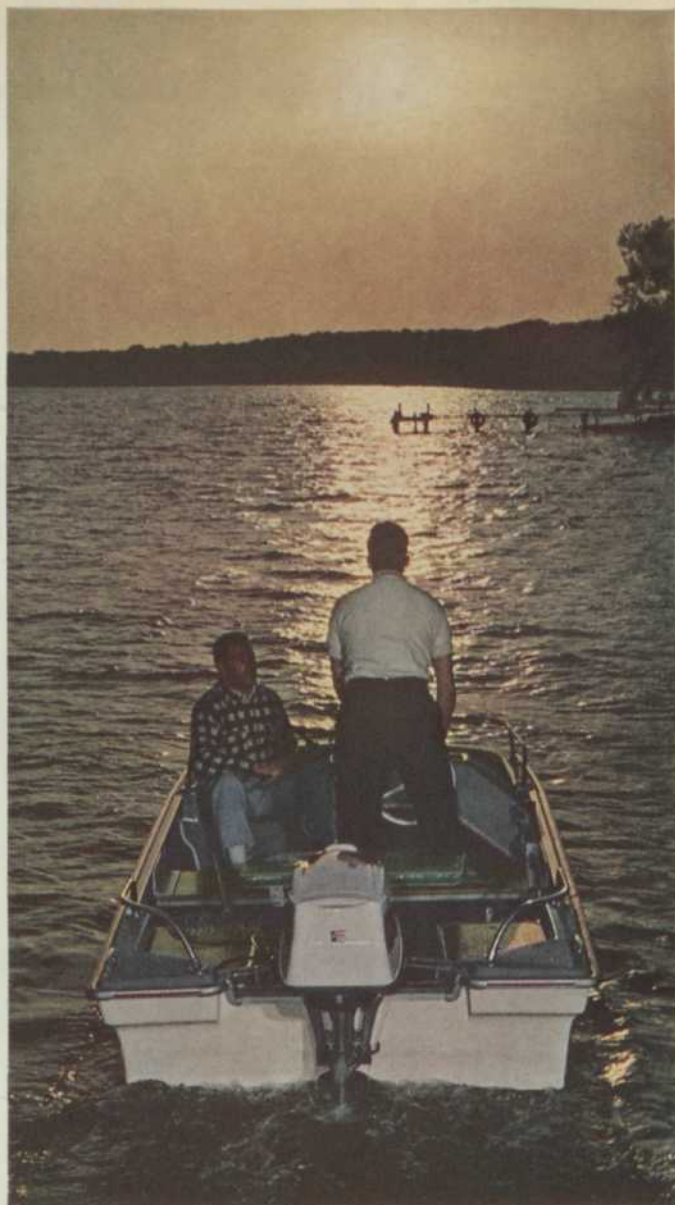
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What's happened to the will to work? PAGE 56

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Think small PAGE 94



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# Nation's Business

May 1965 Vol. 53 No. 5

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# WASHINGTON BUSINESS OUTLOOK

**Danger grows** that state laws that forbid compulsory membership in unions may be knocked out.

Note these facts:

H. R. 77 is proposal in House of Representatives that would repeal federal law—Section 14(b) of Taft-Hartley Act—which enables states to have legislation against forced unionism.

Sponsor of proposal to repeal this section is Rep. Frank Thompson of New Jersey.

He's also new chairman of House Labor subcommittee handling his proposal.

His view: "I trust and hope H. R. 77 will be quickly enacted."

**Prospects for repeal?** Supporters of right-to-work laws believe the longer the vote can be put off the better chances are that the proposal will fail.

Union leaders believe this, too, so they're pressing for action as soon as possible.

Subcommittee chairman limits number of witnesses who can testify at public hearings.

**Do costs you pay** in operating your business seem to be going up faster than they were a few months ago?

Nationwide they are.

There's evidence being evaluated in Washington.

Experts blame union wage settlements that outstrip gains of past several years.

Some congressmen want public investigation.

**Some 65 million tax** returns are being processed by Internal Revenue Service offices.

Actual number won't be known for quite some time.

Meanwhile, it's good guess returns will divide up this way:

20 million with adjusted gross income up to \$5,000.

23 million with \$5,000 to \$10,000.

10 million with more than \$10,000 taxable income.

Remaining 12 million will owe no tax.

Lower income group is declining proportionately while middle and higher income groups grow rapidly.

**Stairstep tax** withholding plan gets table-pounding attention in some congressional offices.

This is only one of several tax ideas (see page 29) being talked about for future action.

Plan would set hold-out rates to fit each employee's pay bracket in place of current arrangement that calls for docking a flat 14 per cent for Uncle Sam set by last year's law.

Each employee now is free to ask boss to keep larger sum from paychecks, but many don't, despite management's urging.

So congressmen face complaints from back home.

Experts figure sliding-scale withholding would reduce spendable cash most consumers get on pay day.

Net tax collections under new plan would be higher.

Top-side policy advisers believe this could hurt national economic growth if changed withholding starts next January (as some want) when higher social security taxes begin.

They fear both boosts coming at same time could cut take-home pay just enough to stunt personal buying, maybe bring longest boom to end.

So watch for tax technicians to work out compromise.

Likely possibility:

Start variable income tax withholding rates in mid-'66 instead of January.

This would spread tax drag.

Social security tax withholding for many employees would be finished around time new income tax deduction plan goes into force. This

won't be whisked through Congress. But there's very active thinking about some kind of change.

**Will excise tax cut** flunk out as sales pump-primer?

That's possible.

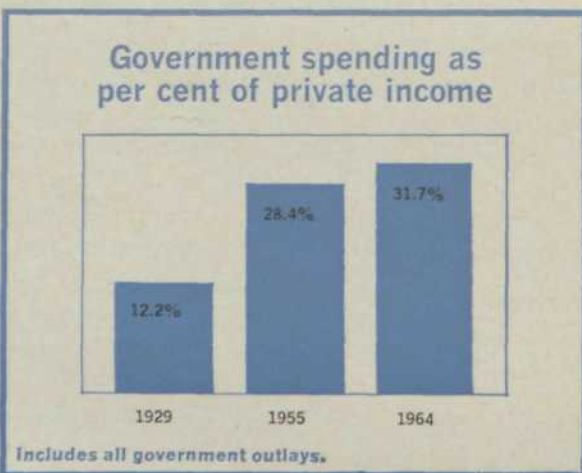
Reason: Rising state, local taxes will be an offset.

Growing demands of state, local governments for revenue may hold spendable income down enough to wash out federal excise reduction.

**State-local tax collections** go up nearly nine per cent a year, according to newest Census Bureau survey.

This reflects improved business conditions which bring in more tax revenue but also reflects higher tax rates in many areas.

Survey by Tax Foundation, for example, indicates nearly \$3 billion in new and higher taxes are being considered by 35 state legislatures.



**Crime gets more attention** in Capitol.

For example, Congress considers proposals that would make it federal crime:

For person to belong to secret organizations that pursue criminal enterprises, conspire to violate law. Aimed at crime syndicates such as

those involved in illegal gambling, narcotics, interstate racketeering.

To intimidate or threaten witnesses, otherwise obstruct criminal investigations.

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**Federal paperwork** may ease up.

That's hope of congressmen who point with alarm at more than 2.2 billion forms produced annually by government printing office for federal agencies and bureaus.

Who gets all these forms?

"Businessmen, mostly," notes Rep. James A. Haley of Florida, a former business manager.

"If you're in business for yourself, you get a tax form, a minimum-wage confirmation form, group insurance plan forms, unemployment compensation forms, census questionnaire, a dozen retail reports and a special industry report every year.

"If you have a government loan—small business, farmer or veteran type—you get at least four forms a year."

He says there are something more than 4,000 different report forms sent out by federal agencies to businessmen, mostly small businessmen. Law requires some be filled out and returned. Others are not required. But average businessman has no way of telling which are required and which are not.

Congressman admits some forms are necessary.

"But the red tape represented by this paperwork jungle nevertheless represents a serious drain on the taxpayer."

**Officials in Washington fret** over summer vacations.

For example, 57 flights a day are scheduled across Atlantic this summer; compares with 51 last year.

# WASHINGTON BUSINESS OUTLOOK

More flights will be crossing Pacific, others to South America.

Charter flights, especially to Europe, are also on the rise as groups band together for cheaper rates.

Problem involves dollars spent abroad. It means flight of dollars, too.

About two million Americans visited foreign countries last year, spent some \$3 billion.

About 900,000 foreigners came to U. S., spent about \$1.5 billion.

Difference adds to deficit in U. S. balance of international payments, threatens further loss of gold to foreign countries.

Item: Some businessmen tell Nation's Business they're curtailing foreign business trips of company men, asking those who must go to take few dollars and draw expense money from firm's foreign office.

**You'll pay college grads \$100** a month more starting salary than buddies who graduated two years ago.

Survey shows average by larger companies will be around \$600 a month.

Extra year of college—master's degree—adds \$100 to starting pay.

Those with doctor's degree, technical training—usually requiring seven years of university courses—get \$1,000 a month to start in many cases.

**Government spending** on the cuff will get new public airing in weeks ahead.

Congress must set new debt ceiling to accommodate higher spending level that will push debt billions higher during 1965.

Debt now is close to \$320 billion.

But it's falling back a bit as tax payments exceed spending.

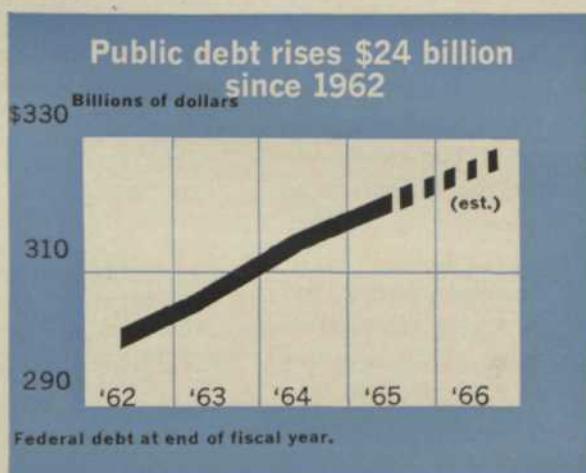
This will continue until about next July.

After that—especially during fall and early winter—debt will grow again.

It's expected to rise above \$325 billion and could rise uncomfortably close to \$330 billion for a time before settling back again when heavier tax payments roll into U. S. Treasury.

Fiscal '66, as currently projected by government budgeteers, will end with federal debt around \$322.5 billion.

That means \$24 billion rise since 1962.



**Inventories build up less** than expected.

Look in your own warehouse. Chances are your unsold backlog reflects what's going on nationwide.

Speedy sales pace keeps goods moving.

Take cars.

They're selling fast, moving to customers at pace not anticipated a few months ago.

Same's true of other steel products, on the whole, as well as goods in most other lines.

There is more inventory build-up, of course, than in recent years but—for perspective—it simply has not been as much as expected only a few weeks ago.

And that's good news for business generally. It indicates work-off of goods on hand won't be so burdensome in months ahead.

Production therefore is likely to continue on an even keel without layoffs.

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## Business opinion:

### U. S. Steel chairman explains competition

#### To the Editor:

To compete successfully in today's dynamic and ever-changing marketplace, it is not enough to produce a usable quality product. A company, to survive in today's competitive arena, must arm itself with every modern weapon available to it and, at the same time, have in reserve the most imaginative and resourceful minds in its field, probing and searching the unknown for the answers to its customers' present and future demands.

In the case of the steel companies, competition has meant a long succession of innovation, of intense struggle for markets. Yesterday's facts are not the facts of today and today's facts are not those of tomorrow. For, as in other industries, the steel industry's customers, markets, marketing, materials, finance, technology, management, economics and the labor force are ever in flux, ever changing.

In the competitive free enterprise system, market prices result from prices sought by the sellers and prices that buyers are willing to pay. For while a producer is free to seek whatever prices he thinks are attainable, the market always has the final word.

Steel, for example, sells at thousands of prices inasmuch as it is available in literally thousands of shapes, sizes, strengths, finishes and chemical compositions. For the most part, steel products are tailor-made to individual customer specifications. Steel prices frequently differ by region; they are not static; they fluctuate. To be sure, prices for particular products tend to converge under competition. But actual prices of steel products often vary among producers and from published prices.

Competition in steel, as in most industries, is world-wide. For practically all of the first six decades of the Twentieth Century, the U. S. economy was a net exporter of steel mill products. Starting with 1959

and in every year since, imports have exceeded exports. Much of the imported steel has been sold at prices substantially below those prevailing in the country of origin and in the U. S. A. This practice of selling in export markets at prices below those prevailing in the exporting country, when accompanied by injury, or threat of injury, to the industry of the importing country, is regarded as "dumping" and is condemned by most nations. And although prohibited by the signatory countries to the General Agreement on Tariffs and Trade and by federal law, such pricing of imports continues.

International trade is vital. No country today is self-sufficient and every country benefits by buying and selling in world markets. But competitors should compete under comparable pricing laws. If they do, there should be no objection to foreign steel competition.

Steel is indeed a highly competitive business. It is subject to the many varied price and cost factors that confront all competitive industry. Interference with this competitive mechanism can only result in reduced benefits for the consumer and the investor, reduced job opportunities for the worker and reduced economic growth for the nation.

ROGER M. BLOUGH  
Chairman, Board of Directors  
United States Steel Corp.  
New York

#### Should have been sooner

##### To the Editor:

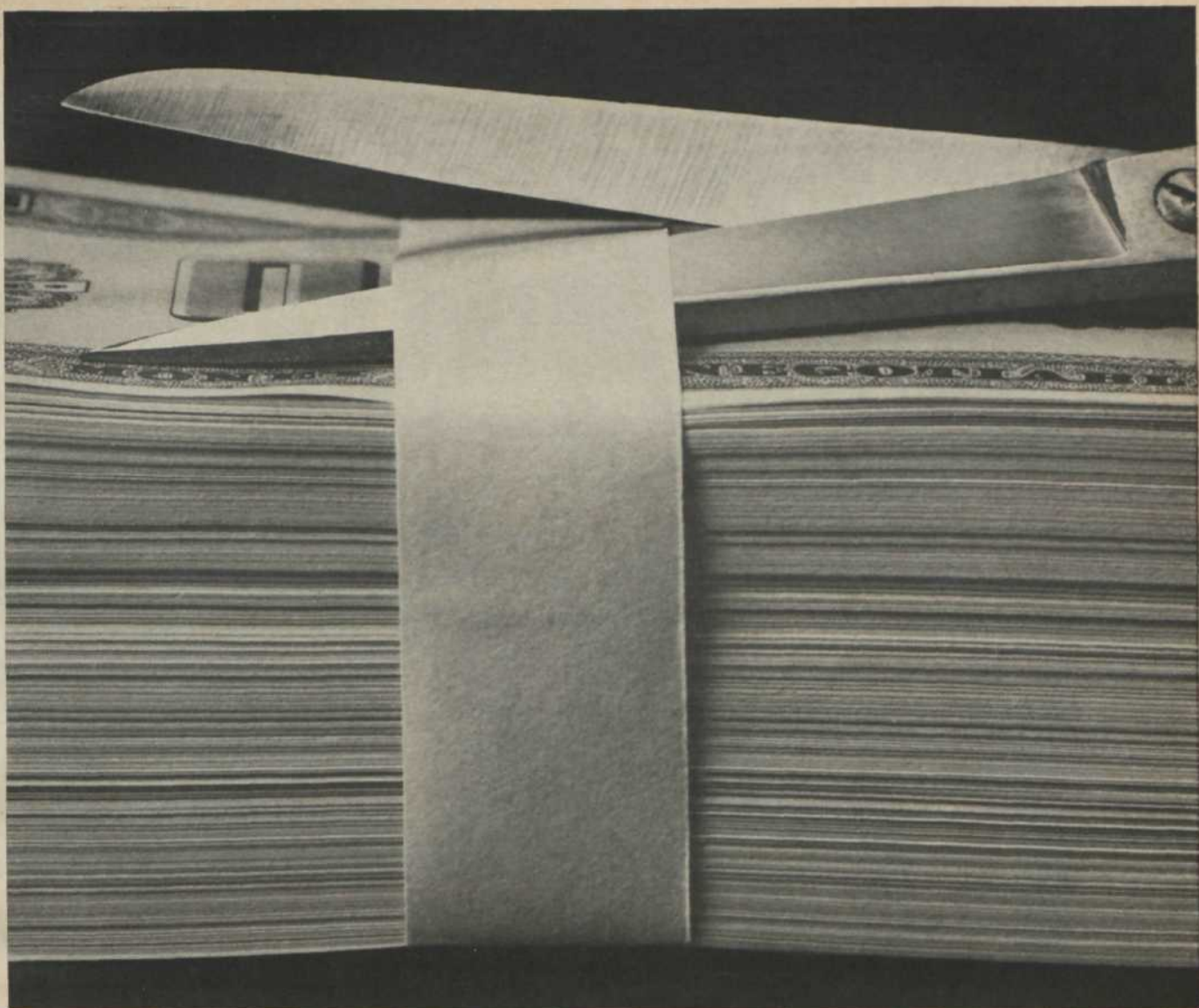
May I commend you and your staff for the article, "Dangers in More Forced Unionism" [March]. My only complaint would be: Too bad it wasn't earlier.

W. HUGH CONAUGHTY  
Alamo Hearing Aid Service  
San Antonio, Texas

#### Shopping sophistication

##### To the Editor:

Your treatment of the "truth in



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## Business opinion:

packaging" bill in your article, "Who Says Shoppers are Stupid," [March] is rather biased and superficial.

I have a master's degree in business administration, yet I quite often have difficulty getting comparable prices on articles sold in supermarkets.

It takes a certain degree of sophistication to spot deceptions in packaging. It also requires that one do a great deal of shopping over a long period of time. Therefore I do not think your experiment with those lovely young high school girls proves very much.

FRANK I. GOLDRING  
Boston, Mass.

## Politics needs business

To the Editor:

I wish to commend George Champion on his perceptive and articulate article, "Why Politics is for You," [March].

Mr. Champion does much to demolish the misconception that government is insensitive, or even hostile to business.

The truth is that the government needs businessmen to the same degree that businessmen need their government.

Too often, the relations between politicians and businessmen are circumscribed by the decisions of regulatory commissions, tariff revisions, the annual harvesting of corporate tax returns and other aspects of a strictly economic nature. This is not as it should be. The business community should be equally interested in civil rights, federal aid to education, international development loans and other issues which in their resolutions will have a direct and lasting effect on this country's aspirations.

We in government, perhaps, have not done all we can to achieve the understanding and cooperation of businessmen, both individually and collectively. This, too, is not as it should be.

I hope that Mr. Champion's article will receive wide circulation and that the thoughts he expressed will contribute to the realization that our free enterprise system needs constant replenishment of men and ideas if it is to remain the healthy and vigorous basis for the American way of life.

Congratulations again on a stimulating commentary.

JOHN V. LINDSAY, M. C.  
Washington, D. C.



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## Executive Trends

- Can you start anew after 40?
- When moving is a mistake
- How to manage your money

**Memo** to middle-aged executives: Chin up, your best years really are still ahead.

This is the essence of some reflective thinking about men over 40 that recruiter Gardner Heidrick did at *NATION'S BUSINESS*' request. Mr. Heidrick is president of the Association of Executive Recruiting Consultants, Inc.

"Businessmen 40 to 45 are typically restless," Mr. Heidrick declares. "Many are dissatisfied with their jobs, or feel they have reached the end of the line. Others are happy in what they're doing, but wonder if they shouldn't have more ambition."

Fact is, a frank review of one's career prospects is advisable in middle age no matter how you feel, he says.

"If you like what you are doing and it makes you happy, stick with it. If you want a higher job, start making specific plans for getting it. Or, if you can't see a way clear to advance yourself, help others to move up, and thus make yourself part of a winning team."

"If none of these avenues looks right, then start hunting for a job somewhere else."

The consultant points out that most men of 40 have 25 working years left—more than enough to justify the same careful attention to career planning that you would expect of much younger men.

Studies show the average business executive holds more than one job between ages 45 and 65. So mobility doesn't necessarily stop at 40. Moreover, most executives under 40 haven't yet reached their

peak salary earning years. In today's executive-hungry job market, the "ideal" executive is 38 to 45 years of age, Mr. Heidrick continues. And chances are that at this time of life your skill as a generalist will begin to assume more value to an employer than any special skills you may possess.

• • •

**Here's** a conversation-spicer recommended by William H. Peterson, economist for the United States Steel Corporation.

It's an "Everyman's Guide to Contemporary Economic Jargon"—issued by The Institute of Economic Affairs, London.

A few definitions:

"Affluence: an immoral development that is in danger of superseding honest poverty."

"Forecast: a pretense of knowing what would have happened if what does happen hadn't."

"GNP: gross naïve 'proximation."

"Slump: an intolerable pause in an inflationary spiral."

"Status symbol: a term of contempt to describe anything other people would like and you've already got two of."

• • •

**Some companies**—yours, maybe—are needlessly renting or building new office space.

That's the opinion of a group of experts whose stock in trade is moving businesses to new quarters.

The firm is Freidin Studley Associates, New York-based design and space planners. Their clients include numerous American corpora-

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## EXECUTIVE TRENDS

*continued*

tions as well as concerns in Japan, France and other countries.

Sanford Kaufman, director of planning for FSA, says that in about one of every four cases where his firm is retained to help companies make a move, it advises against making any move at all.

"Often, the real problem is not a need for new space, but better use of the space already on hand," he explains. "Instead of a new building or 10,000 square feet of additional rented area, the company may simply need to redesign its present quarters.

Of course, a move—or a new building—actually may be in order. If this is so, the specialists say, be sure you do at least two things:

1. Plan your move as far ahead as possible. Have someone thinking right now about space needs of your company five or even ten years ahead.

2. In negotiating a lease with a landlord, don't take any details lightly. Not infrequently, according to Mr. Kaufman, a company president assumes that his new landlord has taken care of all the fine points, but discovers upon moving that items he expected (right down to water coolers in the corner) haven't been specifically spelled out in the lease agreement.

• • •

Despite considerable skill in handling other people's money, many businessmen botch the job of managing their own.

That's the estimate of Israel Unterman, New York financial adviser to corporate executives and professional men.

He says businessmen are getting "soft" in their personal money management. Among the symptoms: overdependence on a company's financial fringes; sinking too many dollars into one kind of investment; buying too expensive a home, and slavishly following the investment lead of other executives.

Here's some Unterman advice:

Don't depend too heavily on company stock shares. "Companies can go through reorganizations (or even out of business) and you might find yourself with a stock that is greatly devalued."

If you are managing your money correctly you should invest ten per cent of your gross income per year.

Don't buy a home that is priced



## Why do some of America's largest companies ask Sun Life of Canada to quote on group pension plans?

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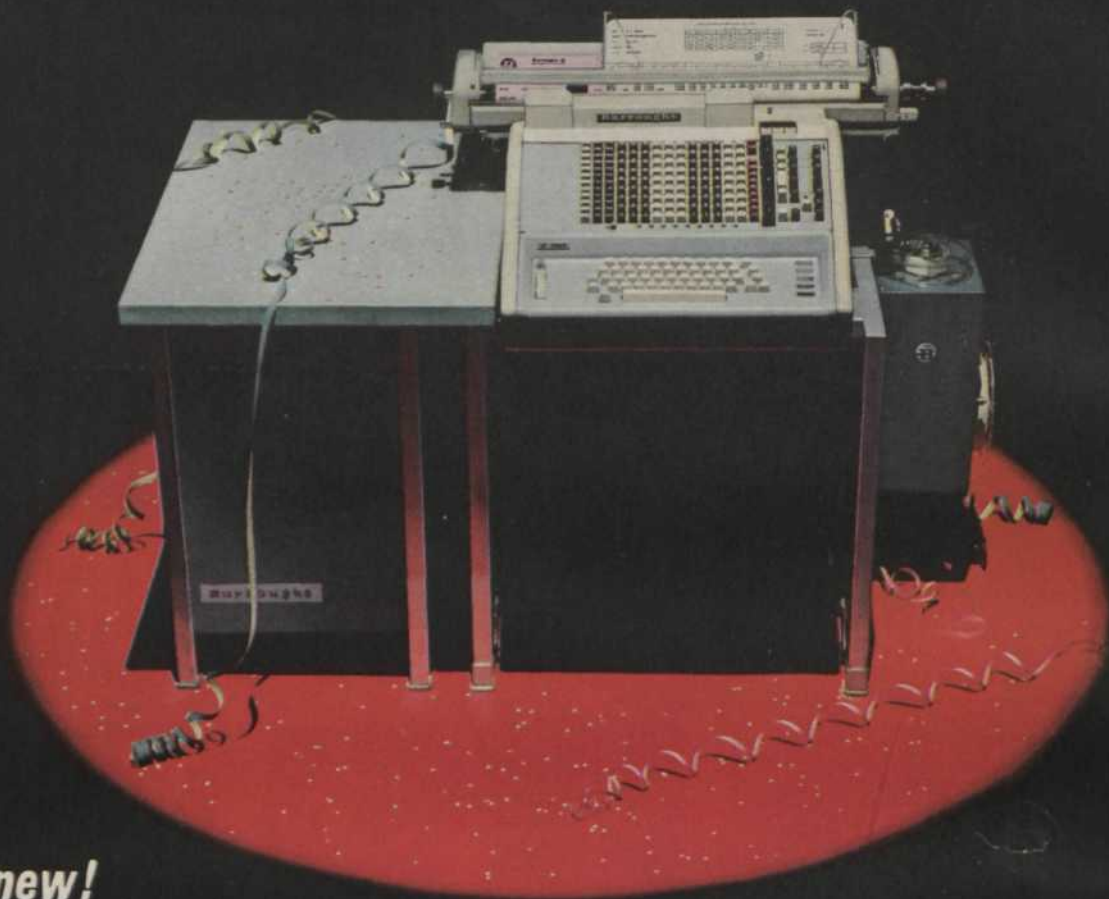
1871. ☐ You may have heard of Sun Life from one of the 3 million policyholders and group certificate holders around the world. ☐ Some very large and well-known U.S. companies (and a lot of good small ones, too) have placed their group business with Sun Life. ☐ There are a number of compelling reasons why. ☐ May we tell you a little more? Drop us a note on your letterhead. ☐ There is no obligation. ☐ No one will call except on invitation.

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## EXECUTIVE TRENDS

continued

at more than two and a half times your net income.

Don't count on staying in the same job. Your personal investment planning should hedge against future changes by blending both fixed investments such as insurance, and variable-dollar investments such as securities.

A common failing, Mr. Unterman maintains, is a tendency to draw up a personal budget that assumes more dollars on hand (what he calls "net-net dollars") than the individual actually has. Thus, some men with \$35,000-a-year incomes make a budget for \$30,000, when their net-net may be only \$25,000.

• • •

**Alarm bell:** A new survey of 120 companies by Management Information Center, Inc., Deerfield, Ill., indicates that many are doing a poor job of explaining fringe benefits to employees. In some cases unions are taking undeserved credit for benefits actually initiated by management, the Center finds.

How good a job is your company doing? Most authorities agree that effective communication on fringe benefits can help you improve employee morale and productivity.

• • •

**As it pays more** for people's time, business moves carefully to gauge the inputs of time by both men and machines.

Makers of time-recording equipment say many firms are demanding more precise records of when employees report in, how long they work, when they leave the job.

Records down to hundredths of an hour are needed to enable companies to comply with federal wage-hour regulations and to make useful cost analyses. This means brisk sales for companies which manufacture time-recording devices. For the businessman it means time lost on the job can have the greatest cost sting ever.

And H. C. Hooper, executive vice president of the Latham Time Recorder Co., Atlanta, reports his company has been approached by firms that want special devices to monitor the time performance of their computers.

"You might say that they want to see how many hours the computer is on the job and how many hours or minutes it is loafing," he explains.

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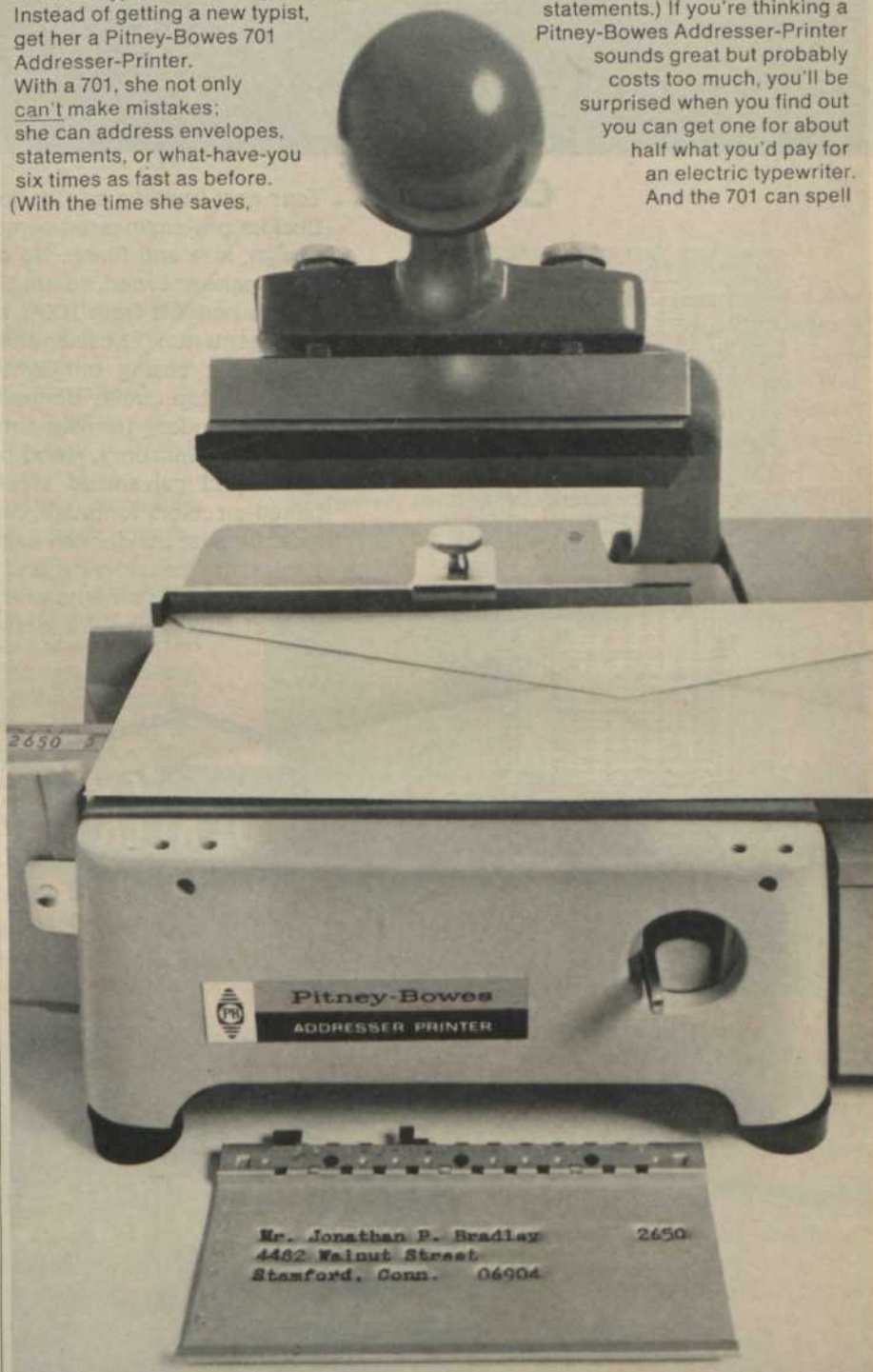
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# Why our allies are seeing ghosts

BY PETER LISAGOR

ONE OF THE PENALTIES of power and leadership in the Atlantic vineyards is an occasional harvest of resentment, envy, frustration and distrust. It can be almost as cyclical as a corn crop and as variable as Washington weather. If Uncle Sam isn't being taken to the woodshed by de Gaulle, he's getting it in the neck from London or Bonn, Athens or Ankara.

Next thing that happens is that every columnist and commentator with a license to practice trans-Atlantic psychoanalysis offers up a diagnosis of why anti-Americanism is spreading in Europe. President Johnson is pictured as indifferent to Atlantic unity, more concerned with the Great Society than with the Grand Alliance, content to let the Europeans themselves develop a consensus about such sticky schemes as a mixed-manned nuclear fleet. Imaginary symptoms of withdrawal begin to haunt advocates of a greater togetherness, despite the fact that the seeds of American capital investment are sprouting in Europe's industrial soil like dandelions in a moist spring.

The *Economist*, that London journal which uses no filter on the lens through which it views British attitudes, recently observed about this U. S. economic penetration and its impact:

"The frightening fact now is that a growing number of people in Britain would rather that this country did things inefficiently by itself, or with other Europeans, than efficiently with Americans—because a growing number of people choose to think of the Americans as outsiders, somehow 'different' from Europeans and themselves deliberately antagonistic to European economic interests."

Mr. Johnson and his top advisers recognize that the role of the United States out front makes it highly vulnerable and agree to a man with the *Economist* judgment that this country will be criticized "whichever way it turns, for imposing solutions on Europe or for failing to give a lead for its actions or for its inertia."

All the same, the impression has grown here that

the White House and the State Department have backed off from Europe for a time, not only because of involvement in Asia and other tension-ridden areas. It is as much because Europe itself is in flux. Not much is predictable beyond West Germany's election this fall, and new initiatives in any sphere would seem to be untimely, to say the least.

Moreover, the President is not altogether comfortable yet in his conduct of U. S. policy toward Europe.



*Reserve marks relations between Germany and U. S. although the nation's leaders hit it off well personally.*

De Gaulle's haughty disdain for the American presence on the continent makes Mr. Johnson uneasy, if not irritable, and leads him to steer a wide berth around the French president. The almost neurotic need of the Germans to have someone tell them what to do and to guide them through the shoals of NATO politics is left by the President to Secretary of State Rusk and his diplomatic agents; even though the man in the White House and Chancellor Ludwig Erhard hit it off well in their personal meetings, a certain reserve between Washington and Bonn has existed since the days of John Foster Dulles, almost as if U. S. policy-makers were somehow compensating for

Mr. Lisagor is the White House correspondent for the *Chicago Daily News*.

## TRENDS: WASHINGTON MOOD

the remarkably close and uninhibited relationship between Dulles and then-Chancellor Konrad Adenauer which sometimes created resentments in London and Paris.

Washington observers strongly suspect that the President is still a bit puzzled by the British, whose leaders show little or no hesitance in airing their grievances or complaining about the lack of coherent designs here even as they regard a trip to the White House as a virtual prerequisite to electoral success. It may be, as the *Economist* says, that many Britons are displaying a greater European-ness in their reaction to the U. S., but the stark fact is that every politician in the tight little isle still considers it an asset if he can claim a special tie to Washington and a special rapport with the men of power in the American capital.

• • •

Mr. Johnson has been most loath, so far, in attempting to use the same techniques of leadership abroad that he employs at home, namely those talents of cajolery, persuasion, entreaty that seem to melt down the strongest wills opposed to him in the Congress. His tendency when he encounters resistance overseas is to let up. For example, when it became clear that nobody but the Germans was enthusiastic about the so-called multilateral nuclear force of surface ships equipped with Polaris missiles, the word went out from Washington to halt the hard sell. Let the Europeans come up with alternatives if they didn't like the American scheme, but stop the constant urging and arm-twisting—that was the nub of the President's directive to all concerned with the nuclear force.

It was such a new departure for the United States to ease off that the immediate reaction was wildly off the mark. Many in Europe promptly and mistakenly concluded this was another piece of evidence of the neo-isolationism sweeping America, of the President's declining interest in the outside world, of a quiet determination to scale down U. S. commitments and obligations in recognition at long last of the fact that this country was overextended and therefore vulnerable to new forces gathering momentum in the world, notably the growth in strength and martial spirit of Communist China.

"Neo-isolationism" is a word that ought to be outlawed at once. No occult powers of prophecy are needed to see that in time a whole range of quite normal American actions will be interpreted as neo-isolationist, the result of long-repressed desires to curl up behind the oceans, inside a Fortress America and let the rest of the world go hang. Not long ago, Interior Secretary Udall made a speech urging summer tourist prospects to see America first so as to help stanch the dollar drain and blunt the balance of payments crisis. Mr. Udall argued, with the fervor of the true xenophobe, that "Santa Fe is as interesting as Seville, that New Orleans has as many attractions as Naples, that the island of Kauai has more charm

than Capri, that the hills of San Francisco are as exhilarating as the hills of Rome." Only by visiting the monuments of Washington, he went on, can a traveler understand and interpret the significance of Trafalgar Square and the Arc de Triomphe; Gettysburg and Bunker Hill make more piquant a visit to Runnymede and Verdun.

Mr. Udall's not wholly innocent remarks were seized upon by several European journalists as proof positive that America is turning inward, that neo-isolationism robs the Old World of its ancient charms and imbues the New World with virtues it never owned. All because the fellow wanted to save a few bucks on the dollar balance sheet.

The very suggestion, made by a number of congressmen, that the U. S. could bring home a few troops and their dependents from Europe as a contribution to the balance-of-payments solution, without diminishing Washington's treaty obligations in the defense of Europe, causes tremors in Allied foreign offices and leaves many abroad with the erroneous impression that neo-isolationism already is a raging fever of unrelieved virulence.

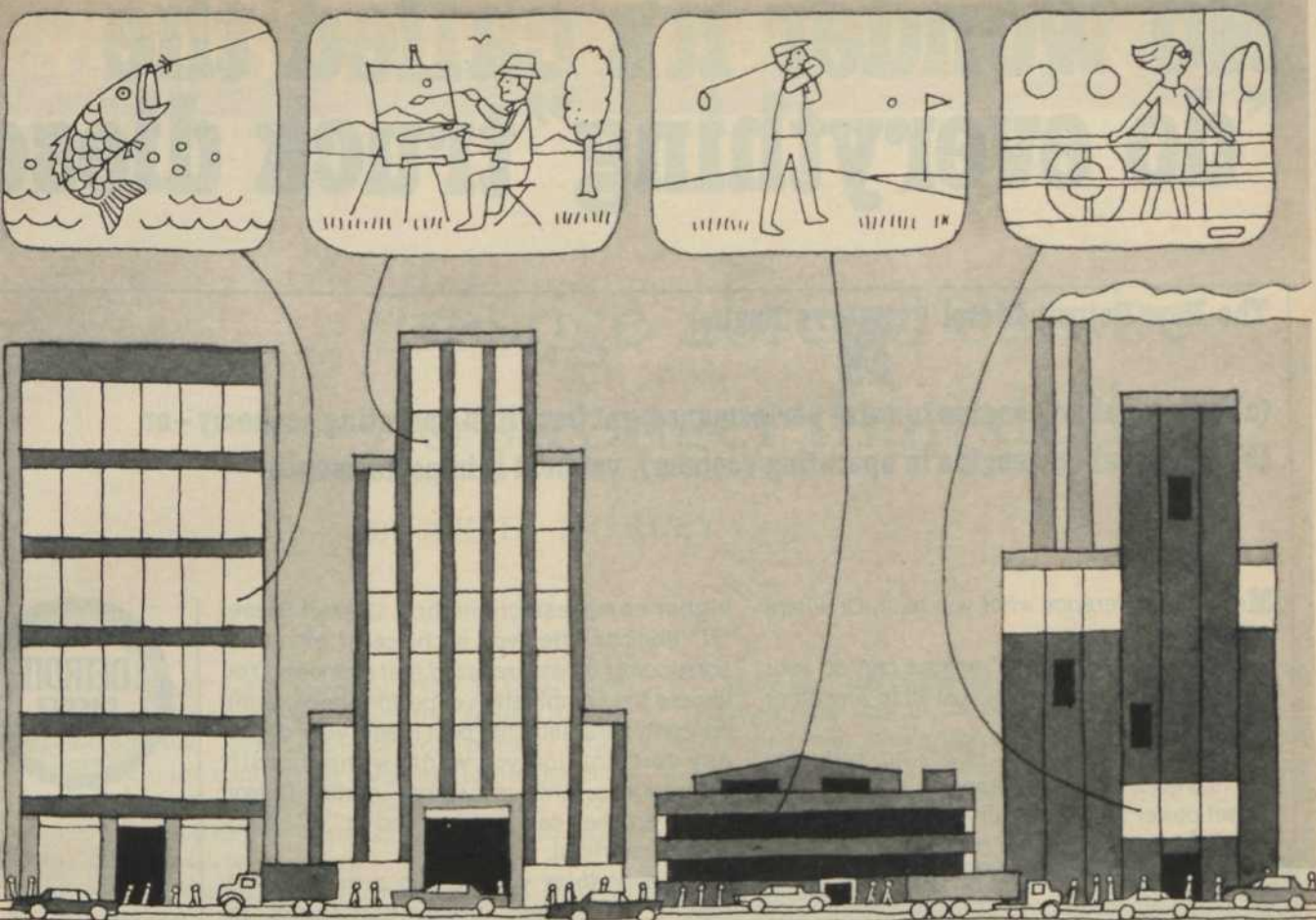
When embassies in Western Europe began to talk up a presidential trip, they had in mind the fact that if Mr. Johnson took a swing around the continent, he could lay to rest the notion that Uncle Sam was proving the Gaullists right. De Gaulle and his followers base their Europe-first policies upon the conviction that the United States lacks stamina and will cut and run as soon as convenient. However ungrateful for past largesse this may seem to be, however distrustful of future intentions, more and more Europeans are adopting the Gaullist line.

• • •

The clamor of the pro-Americans for President Johnson to start leading, even if he has no urgent destination, falls on attentive but unfrightened ears in the capital. First, Mr. Johnson has been massively distracted by racial problems and his domestic welfare programs at home and by crisis in Southeast Asia. Second, he is not a detail man in foreign affairs until necessity forces him to be, although the small details often can prove to be important.

Due to a regrettable lapse in communications, or perhaps just plain neglect, the President recently failed to send congratulations to a foreign leader friendly to the U. S., who had just been elected to head his government over an opposition candidate whose sympathy for Uncle Sam was at least in question. This is the sort of important detail that can matter greatly in a crunch. Can one imagine Lyndon Johnson neglecting to send best wishes to a newly elected Democratic senator or governor?

The President is perfectly satisfied with leaving the job of placating the uneasy European allies to Mr. Rusk and Secretary of Defense McNamara, working in close concert with his special assistant for national security affairs, McGeorge Bundy. He has not abdicated, and he will move in when imperative or when he has somewhere he wants to take the alliance. For the moment, however, he prefers apparently to see where Europe inclines by itself. To believe he intends to lead the U. S. out of Europe is to believe in ghosts.



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## Prestige abroad can be no stronger than dollar

BY FELIX MORLEY

JUST 20 YEARS AGO, in early May of 1945, the remnants of Hitler's Third Reich fell apart. As the guns were stilled, and the smoke from burning cities cleared away, the continental character of the destruction became more evident. Doubtfully men asked themselves whether the bankrupt and ruined continent could ever be restored.

It was then that a communist takeover of Europe seemed not only possible but probable. The Red armies, with our consent, had swarmed westward over Austria, Czechoslovakia, Berlin and nearly half of Germany. In Italy and France the triumphant Underground was largely communist, ready and anxious to assume control. If Russia itself had not been so battered and exhausted all of Europe might well today have been subject to Moscow, despite American military power.

The most potent factor in preventing this catastrophic outcome was, unquestionably, the economic aid which the United States poured into the war-stricken countries. It had begun with UNRRA (the United Nations Relief and Reconstruction Agency) 18 months before the close of hostilities and more than 70 per cent was financed from Washington. But because so much of this \$2.7 billion contribution flowed into communist hands the United States, in 1946, developed its own alternative agency.

The wholly American program of GARIOA (Government and Relief in Occupied Areas) replaced UNRRA and continued until establishment of the highly successful Marshall Plan. From this the current foreign aid program has descended, in every sense of the verb.

In those early postwar days the United States stood as a giant amid the European (and also the Japanese and Chinese) ruins. This country alone among the major belligerents was physically undamaged, and under the stimulus of armament had developed unrivaled productive capacity.

*Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.*

Moreover, the dollar was king, far more courted in Europe than any of its own demoralized currencies. The problem, as European industry struggled to revive, was "the dollar gap," the lack of them to pay for essential imports in spite of the \$13.2 billion ap-



*French economist Jacques Rueff, an advocate of the full gold standard, has great influence on de Gaulle.*

propriated by Congress for the European recovery program from 1948 to 1952.

Historically speaking, 20 years is a brief period. If we were asked to enumerate changes of significance between 945 and 965 A.D. most of us would be hard put to think of anything. But a millennium later two short decades have sufficed to bring an alteration of world-wide import. The dollar has been dethroned. And with this loss of financial sovereignty American capacity for international leadership has become questionable and is now being questioned.

As much was admitted, though scarcely emphasized, when President Johnson said recently: "We cannot assume that the world's willingness to hold dollars is unlimited." Actually, instead of holding them as symbols of enduring value, some European

## TRENDS: STATE OF THE NATION

governments have begun to exchange dollars for more desirable gold almost as fast as they accumulate over there. In the more direct words of the French economist, Jacques Rueff: "The dollar is approaching the end of its acceptability for payment abroad."

M. Rueff is the financial expert who, more than any other single man, restored stability to French currency. Since then President de Gaulle has relied heavily on him in the field of monetary policy. It is largely on Rueff's advice that the French government is now regularly turning its dollars into gold, intensifying the drain on our already greatly diminished reserve. The reasoning, as made clear in his various expositions, is not at all obscure.

Like many less articulate Frenchmen, M. Rueff is a firm believer in the full gold standard, meaning that a national currency should be fully redeemable in gold coin or bullion at some legally established rate. He argues that this is the only way in which the tendency of every government to lessen the value of its money can be effectively curbed. It is not surprising that this conviction is strong among the thrifty French, many of whom have in their lifetime seen the franc of 1914 lose 99.9 per cent of its purchasing power.

The announced desire of de Gaulle to restore the full gold standard cannot with justice be called unfriendly to the United States. His objective is to restore in Europe a tested monetary system which we ourselves embraced until the Roosevelt era. This system made it very difficult for any government to promote inflation and was therefore far less authoritarian than the governmentally managed currencies now everywhere dominant.

The subject is, of course, extremely involved and on balance it may well seem undesirable, or even impossible, for reborn Europe to return to the full gold standard. It is also appropriate to criticize the French for not using dollars to repay their debts to us more rapidly, instead of using them as claims on our dwindling gold stock. What is unreasonable is to blame de Gaulle if he no longer considers the dollar trustworthy, since it is our own deficit financing that has undermined its integrity.

Unless there is respect for the dollar, abroad as well as at home, world leadership will inevitably slip from American hands. And realization of this has prompted the steps taken to stem the gold outflow.

On the one hand the reserve requirements have been reduced, thus serving notice that the Treasury will continue to meet all foreign claims and—inferentially—that there will be no early devaluation of the dollar. On the other hand a number of restrictions, mostly voluntary, have been applied both to loans and investments in what are known as developed countries.

So far as Europe is concerned these restrictions are probably more welcome than otherwise, since they act as a brake on inflationary tendencies there.

Reduction of the gold coverage was already permissive and as yet has had little adverse psychological effect. That cannot be said for the restrictive measures, successful though they have been in their immediate purpose. No step which seems to threaten the dominance of American exports can be called helpful in solution of the balance-of-payments problem.

So far as commercial trade is concerned the picture is favorable to the United States. Year after year the value of our exports substantially exceeds that of imports. Tourist spending cuts this surplus but the balance becomes adverse only when governmental spending overseas—military, economic and social—is added. What Washington spends abroad, in short, steadily outweighs what free enterprise can earn there.

Secretary of the Treasury Dillon, just before he resigned that office, said he hoped the restrictions on foreign investment would be necessary only for a short time, and that before long we would be in a position to buy back some of the gold that has been flowing out so steadily. But these, unfortunately, are only hopes. The present fact is that business expansion in Europe and Japan is controlled so that lavish governmental spending may continue around the globe. In this it is hard to find promise for rectification of the balance-of-payments problem.

The prestige of American foreign policy can be no higher than that of the dollar, on which it depends for strength. Realization of this prompts many responsible men, such as Chairman Fulbright of the Senate Foreign Relations Committee, to urge that governmental as well as business commitments overseas be limited at this time. And an examination of projects underwritten by the Agency for International Development does not need to be detailed to disclose some that are not only questionable but actually ridiculous in character.

When extravagances of this nature are criticized, however, someone in the Department of State habitually rises to assert that any curtailment of foreign aid is "nostalgic isolationism." Thus it was recently when Under Secretary of State George W. Ball told a Washington gathering that advocates of economy in foreign policy "have never made clear where or how a withdrawal, once begun, could end without great damage to freedom."

What menaces freedom is not a rational effort to economize, wherever possible, but rather the refusal to admit that an overextended foreign policy must in the long run fail from inability to carry innumerable and often contradictory commitments. Nor is "withdrawal" a happy word when we see this action applied by others to our gold reserve at a rate which could eventually make the dollar mere fiat money. That certainly would not help freedom, anywhere.

The Department of State should be careful not to indulge in the illusions which it so readily attributes to others. Nothing could be more foolishly nostalgic than the assumption that our international influence is as effective as it was 20 years ago, when the Axis crumbled and when no European doubted that the dollar would remain as good as gold.

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## When next big tax cut will come

Here are changes policymakers foresee in middle income brackets, estate taxes, optional deductions and withholding rates

THE REAL SIGNIFICANCE of the coming cut in federal excise taxes is that it will clear the way for the even more important business of reducing high federal income tax rates again.

"As soon as the excise bill is out of the way," says one important tax policy-maker on Capitol Hill, "we're going to begin giving hard thought to income taxes."

Actually, plenty of hard thought is already under way. It's concerned with the elements of the tax-cut package that will make up the next round of tax relief. The thinking is going on in Congress, within the Administration and among businessmen and economists. What they're thinking about can affect the profitability, sales and expansion of your business in coming years as well as your personal bank account and estate. And that's not to mention what is the overriding factor, general prosperity of the nation.

Excise tax reduction, to be sure, is one long-needed step toward greater equity as well as a spur to the economy. But income tax changes give the government much greater leverage on the economy.

"Economic growth and stability are very closely associated with tax policies . . .," points out Crawford H. Greenewalt, board

chairman of E. I. du Pont de Nemours & Co. Income tax rates "are still very high and cannot fail to affect the incentives of individuals. . . . Any tax structure which interferes in any way with an individual's putting out his best efforts is, in that sense at least, a drag on the economy."

Other tax decisions are brewing, too, relating to overlapping state taxation of business, gift and estate taxes, rates of withholding, foundations and congressional speed in handling tax proposals. But the big questions deal with the top revenue-grabber—the individual income tax.

Hard and final decisions have yet to be made, of course. But if they were made on the basis of the ideas most current today, the next income tax cut would incorporate these principles:

- Reductions in personal income tax rates at all levels, bringing down the spread of rates from the present 14-70 per cent to perhaps 12-65 per cent.

- Above-average relief for middle-income taxpayers by slowing down the pace at which tax rates climb on incomes roughly between \$5,000 and \$20,000 a year. Rates now climb abnormally fast in this income area.

- Extra aid for very low-income families

# When next big tax cut will come *continued*

by letting them deduct more for expenses.

► Possibly an option plan which would enable many taxpayers in high and middle-income brackets to avoid the present complications of calculating their taxes by taking a lump-sum deduction and paying a lower basic tax rate.

Almost certainly, though, such so-called reform measures as higher rates of taxation on capital gains previously pushed by the Treasury will not be demanded. "I don't think you're going to find the Administration proposing something like that on which it has already been slapped down," confides one official.

One feature of the package is sure. It will include something for nearly everybody. That's a prerequisite for any major tax change, in the thinking of Henry H. Fowler, the new Secretary of the Treasury. The great secret in getting a major tax bill enacted by Congress, Mr. Fowler believes, is to put together a proposal that business and labor can agree on, perhaps for entirely different reasons, and which appeals to the general taxpayer. President Johnson seems of the same mind.

## **How much when**

The total amount of the cut? Administration men aren't talking, but informed speculation by tax experts dwells on the \$5 billion to \$10 billion-a-year range, depending largely on the timing of the reduction.

What about timing?

That question is best addressed to economic forecasters. If the nation remains on its present boom course, the cutting seems likely to come around 1967. That's when many seers figure the country will have absorbed the full business-boosting impact of both the coming excise tax reduction and the second half of the historic income tax cut of 1964. That \$11 billion tax reduction takes full effect in the current '65 tax year.

But many a tax strategist in Washington wonders if the chopping of income tax rates will be delayed that long. Their reasoning: National economic jitters about a possible future slump could trigger much speedier action by Congress and the Administration. Right now, for instance, there are lawmakers in key congressional positions worried

about the economy in the first half of next year.

"I wish we could put off the excise tax reduction until January 1 instead of making it effective July 1," confides one powerful Democrat. "The economy is going along fine now. But by January the federal government will increase the amount of funds it takes out of the economy through payroll taxes. Social security and, probably, the new compulsory social security health care tax are scheduled to take more funds out of pay checks starting January 1.

"We may be in sort of a winter letdown anyway," this legislator says. "But of course we can't delay the excise reductions now because there would be a buyers' strike on some expensive items that would hurt a number of businesses."

A tax expert outside government who keeps tabs on the thinking in both Treasury and Congress says:

"I forecast six months ago that the only major tax action this year would be the reduction in excise taxes. But now I'm not so sure. If a number of economic indicators turned down, you could see some activity on income tax reduction later this year."

Practically nobody's forecasting a business downturn, to be sure. Rather, this talk reflects the determination and even head-over-heels enthusiasm of many policy-makers to use tax reductions as both a defense against threatening recession and a hypo for heightening present prosperity.

In other words, fiscal—mainly tax—policy now reigns in the minds of policy-makers, legislators and economists as the chief government instrument for spurring business and national prosperity. This phenomenon became apparent with enactment of the big tax cut bill last year (see "More Tax Cuts Coming," *NATION'S BUSINESS*, May 1964). It has since received more or less public endorsement by such diverse leaders as President Johnson and Barry Goldwater.

"I can think of no policy that is better designed to stimulate the growth of our economy than a continuing policy of modest, year-by-year reductions of tax rates," declares Arthur F. Burns, former chief economic adviser to President Eisenhower.

The now-proven theory, which

1967... that's when many seers figure the country will have absorbed the full impact of the coming excise tax reduction and the historic income tax cut of 1964.

The great secret in getting a major tax bill enacted... is to put together a proposal that business and labor can agree on, perhaps for entirely different reasons...

was pushed strongest by Walter Heller, former chairman of the Council of Economic Advisers under both President Kennedy and Mr. Johnson, and backed by business, goes like this: Federal taxes take money out of the income stream. As business improves, the tax take grows, thus dampening the growth of business. This is termed fiscal drag. So a tax reduction puts more money in people's pockets and company coffers, both encouraging and enabling business to expand further. Experts estimate that at present tax rates, the government's take from the economy will now increase by up to \$6 billion a year.

#### **Responsibility: spending restraint**

In other words, it's the reverse of long-standing liberal, big-spending philosophy which holds that big government handouts are the way to improve the economy.

One of the influential men who put the new policy into operation is Rep. Wilbur Mills, chairman of the House Ways and Means Committee, which writes U. S. tax bills. He tells NATION'S BUSINESS that tax reduction must "be coupled with a position and a policy of holding the line on spending. . . . In other words, what I wanted to do was to create the circumstance under which we could permit the private sector to exercise greater vigor and vitality in the economy, realizing that if we impose that responsibility upon the private sector we must also impose responsibilities on ourselves of adjusting our fiscal policy to accommodate that situation."

Mr. Mills and most business and economic leaders appear to be pretty well convinced nowadays that the tax reduction has indeed worked successfully.

Dr. Raymond J. Saulnier, chairman of the Council of Economic Advisers under President Eisenhower, says, "It should be clear that if the tax cut had been enacted jointly with a large expenditure increase we might very well be talking today about a plain case of inflation in the American economy."

Thus, as long as Mr. Johnson keeps some sort of grip on federal spending, the traditional enthusiasm of elected politicians for tax cuts has little to dampen it.

"I don't know if the next income tax cut will necessarily be shouted through with no questions asked,"

says one congressional tax strategist, "but the bill will certainly pass much quicker than the last one because the ground has now been broken."

Adds a colleague, "Tax-cutting as a means of strengthening the economy is no longer a theory of long-haired professors or an unlistened-to argument by business. Everybody from left to right is now saying, 'Why didn't we think of it before?'"

Many had been thinking of tax cuts earlier, of course, and they still are. That's because many steps remain untaken toward creating an equitable tax system that both raises funds for necessary government activities and frees the private sector of the economy. Much of this thinking seems sure to find its way into the next tax package. Talks with tax experts strongly indicate this.

Stanley S. Surrey, assistant secretary of the treasury in charge of tax policy, talks of the great "opportunity in the future" to cut taxes again. "As the effect of the 1962 and 1964 Revenue Acts becomes clearly apparent, we can and should take further major steps toward making our income tax structure simpler and fairer." (The 1962 Revenue Act changed taxes to give business more incentive to expand, while the 1964 act made the big cut in income taxes.)

#### **Reduce the bulge**

"Any tax package will make rate cuts all along the line," predicts one insider. "But it will also ease the rate of progression on middle income taxpayers."

Today, for example, when you plot federal income tax rates on a graph, they more than double for taxable income brackets of \$5,000 to \$20,000—from 22 per cent to 48 per cent on the 1965 scale. This creates a bulge on the graph. There's strong sentiment for reducing if not eliminating this bulge for this key group of taxpayers.

Cutting down the bulge would not only be more equitable, it's argued, but would give more incentive to enterprising businessmen, executives, administrators and professional men in this class who make up the bulk of responsible middle-class America. What's more, tax theorists figure cuts in the rate of tax progression in these brackets

(continued on page 66)

Tax policy now reigns in the minds of policy-makers, legislators and economists as the chief government instrument for spurring business and national prosperity.

Strangely enough, complete elimination of the corporate income tax is getting growing support from economists in a quarter you'd least expect—the liberal left.

# Dollar's future: What companies



JACOB LOFMAN-PIX

## Interview with Albert L. Nickerson, adviser to U.S. on balance of payments

How CAN I help put our international payments in better balance?

Chief executives of businesses all over the country are asking themselves this question. The Administration in Washington called for help this Spring. More dollars are going abroad for public and private purposes than are flowing back.

So Secretary of Commerce John T. Connor set up a voluntary program under which he urged businesses operating overseas to look at their own international balance sheets to see if there is room for improvement.

Private investment by Americans is, of course, only one way dollars go abroad. Our private overseas investment actually returns much more to the United States in the form of profits and interest than we spend

on new investments. The margin is expected to increase in the future. These earnings, plus the net profits from our foreign trade, pay for much of the large outflow of dollars spent by the government on military missions and foreign aid.

To get advice and to aid his voluntary program, Secretary Connor picked a committee of business executives headed by Albert L. Nickerson, chairman of the board of Socony Mobil Oil Co.

Because of Mr. Nickerson's unique position as chairman of the Balance of Payments Advisory Committee to the Commerce Department, as well as head of a company doing business in more than 150 foreign countries and territories, NATION'S BUSINESS sought his views on what will be happening. They were recorded in the following interview.

MCFARLAND—BLACK STAR



U. S. officials tour California farm.

# will do

**Mr. Nickerson, do you regard the balance-of-payments situation as critical?**

Well, I certainly regard it as being a serious problem. While it is true that over recent years our balance-of-payments position has been gradually improving, it is nevertheless true that we had a \$3 billion outflow last year, and this is a situation which must be corrected.

**But the deficit is the smallest in a number of years. Why all the concern about it now?**

The adverse balance-of-payments position has been going on for quite a long time, and the effect is cumulative.

Our gold reserves have now gotten to a point where we have to take this seriously.

**To what extent is this important to business? What is the impact?**

We regard it seriously.

But I want to say now that business regards its overseas direct investments as being favorable to the balance of payments.

And we feel that, if reasonable American direct investments can continue, they will play a key role in correcting the deficit.

**What are the implications for business if the deficit is not corrected?**

I like to take a positive view. I believe that the balance-of-payments deficit will be corrected. But I think this present program has to be recognized by businessmen as giving them an opportunity to cooperate with the President on a voluntary basis, recognizing that if, by chance, the program isn't effective, then the President, I believe, is going to be forced to take more severe measures.

**Do you mean direct controls over foreign investments and other international finance matters?**

I think these have to be regarded as a distinct possibility.

**How soon?**

I cannot answer that question because, reverting to my earlier statement, I believe the program will be successful and the direct controls will not be necessary.

**Then it behooves the average businessman to do what he can to help solve the problem; otherwise he faces a possibility of direct economic control by the government.**

He certainly does. I (continued on page 44)

SOME of the run-off of dollars and gold to foreign lands which so worries Washington can be traced to U. S. government policies.

One is the policy to keep out Mexican laborers—called *braceros*—who help farmers in this country during peak planting and harvesting seasons.

Many farmers can't employ enough workers willing and able to plant and harvest "stoop labor" crops. The work cannot easily be mechanized.

Several food companies have opened plants in Mexico and some have gone as far away as Italy.

The government shut-off of foreign workers could result in the importation of products from Mexican and European plants.

It also means our ability to export more products of these farms and industries is curtailed.

This all works against solution of the balance-of-payments problem—a problem of more dollars going abroad than are returning.

The *bracero* problem is critical in California and other states bordering on Mexico. During the harvesting season it will reach into 26 or more states.

The *bracero* law was first approved in 1951. The act provided for recruitment of single male Mexicans for temporary farm work in this country. It was allowed to expire last December.

Secretary of Labor Willard Wirtz (continued on page 64)

# LET'S STOP LABOR BOARD'S

By Stuart Rothman, former General Counsel, National Labor Relations Board



*The author was general counsel of the National Labor Relations Board for four years. He also has been solicitor for the Department of Labor and acting administrator of the federal wage-hour law. He currently is in private law practice.*

ORGANIZED LABOR'S leaders are having more and more to say about how you run your business as a result of National Labor Relations Board decisions.

They have made considerable progress in undermining your ability to operate independently and successfully. This can be seen in the many decisions of the present Board membership which overturned precedents and established new ground rules for labor-management relations. These have put employers at a further disadvantage.

They limit, for example, your right to:

- ▶ Sell or close your business.
- ▶ Move your business, or part of it, to another city.
- ▶ Let out on contract any work you have been doing yourself.
- ▶ Inform your employees of developments during union negotiations.



**Fred J. Borch, president, General Electric Co.:**

"We consider the NLRB decision concerning our bargaining with the IUE in 1960 a grave threat to free collective bargaining and freedom of speech, and it is already apparent that many others are also deeply concerned.

"One major concern for every businessman is that he should be able to share with his employees the real facts concerning his efforts to provide jobs through sales, earnings and competitive offerings.

"If the Board decision succeeds in keeping employees in the dark during these days of increasing challenge by overseas competitors, it will be a serious disservice to employees and their own unions, as well as to the nation's progress."

# UNFAIR PRACTICES



PHOTOS BY: FRED WARD—BLACK STAR, VYTAŠ VALAITIS

**Raymond M. Munsch, vice-president and general manager, Miller & Rhoads, Richmond, Va.:**

*"The National Labor Relations Board decision allowing less than store-wide bargaining units has provided the unions with a gilt-edged invitation to organize as they see fit.*

*"This decision will permit unions which have been unsuccessful in organizing the entire store to attempt to organize segments of the store which might later be spread to the entire store. The end result could be to force a store to deal with five, 10 or 15 unions.*

*"This type of union-favoring by the Board can do irreparable harm by creating chaotic employee relations in an industry that has long been noted for its stable personnel situation."*

► Use your own time and property to discuss union matters with your employees unless the union gets equal time and facilities to reply.

At the same time the Board is helping unions achieve objectives they might not otherwise win. In organizing drives, for instance, Board decisions have helped unions force employers to recognize them even though the employees had rejected the unions in a Board-conducted election.

Once the union has moved in, the Board makes you consult or bargain with it on an ever-widening range of subjects and over increasingly longer periods.

Employers, however, can do much to counteract union pressures, help create balanced handling of labor relations and protect the future of free enterprise.

## **Bargaining help**

A recent decision of the National Labor Relations Board shows how far the agency will go to help unions in collective bargaining. This is the ruling that the General Electric Co. refused to bargain in good faith with the International Union of Electrical Workers.

The Board held here that an employer is not bargaining fairly if he makes one proposal to the union and implies that it is not subject to change. This would apply even when the proposal is an honest one, based on consideration of all pertinent facts, and when the employer is willing to discuss the proposal and change it if his assumptions are proved wrong.

The Board also limited the right of the company to inform its employees directly about the progress of negotiations.

Whatever else the case may stand for, it seems clear that bargaining under this new theory of the Board—if the courts let it stand—goes beyond a question of a meeting of minds over contract proposals. It requires joint determination, joint consultation and joint participation in arriving at that decision.

The Board has held in a number of cases that you must discuss with the union, in advance, management decisions which affect workers represented by the union. You must do this even though your decisions are motivated by sound economic and business reasons and not by any feelings against employees or union.

*(continued on page 100)*



*Richard Gill of National Cash Register Co. says self-discipline is vital to successful sales work.*



*In selling yachts, Bob Kyle has found that giving customer chance to speak can be key to purchase.*



*People's fondness for talking about money is big aid in selling mutual funds, says Seymour Antin.*

# HOW TO

## Seven top salesmen reveal their

WHY DO a few salesmen make most of the sales?

Seven men pictured at work here know the answer. Intense drive has helped make each of them an outstanding salesman in fields as unrelated as life insurance and boating, automatic controls and mutual funds.

But drive isn't the only quality of the elite among the nation's four million salesmen. To sell successfully in today's complex, competitive markets one must possess knowledge, ingenuity and an India-rubber capacity for bouncing back when the sales door slams.

In the NATION'S BUSINESS Salesmanship Round Table beginning on following pages, the seven salesmen offer you advice you can use, whether you hire salesmen, are besieged by them or are a salesman yourself. Their discussion covers:

- What makes a successful salesman.
- Winning over the customer.
- How sales job is changing.
- Breaking down sales barriers.
- How to stretch your time.
- Proud moments in selling.
- Sales tips summed up.

The round-table moderator was Dr. J. S. Schiff, dean of the Graduate School of Business Administration at Pace College, New York. A marketing and sales management consultant, he authored the first programmed text in salesmanship techniques.

Members of the panel were Seymour P. Antin, 43, a mutual funds salesman and manager of the Baltimore-Washington branches of the Investors Planning Corporation of America; Vincent J. Ashton, 47, of the Massachusetts Mutual Life Insurance Company, a man who didn't enter sales until he was 35 years old.

John L. Borsella, 33, an eight-year sales representative of the Schering Corp., Union, N.J.; Richard F. Gill, 40, accounting machine and data processing salesman for the National Cash Register Company; Robert Kyle, 25-year-old yacht broker with Northrop and Johnson of New York City.

Albert R. Piratzky, 37, a sales engineer for the Bristol Company, makers of automatic control equipment and systems, and Frederick A. Potter, 30, a product marketing specialist for Lily-Tulip Cup Corp.

They were selected by top management of their companies to participate in the NATION'S BUSINESS Salesmanship Round Table.

# SELL NOW

secrets of success in a Nation's Business Salesmanship Round Table



*To speed his calls on physicians, John Borsella follows time-use plan developed by his company.*



*Al Piratzky's concept of a good sales manager is one who lets his salesmen have lots of rein.*

PHOTOS: VYTAS VALAITIS



*Never sell to friends or relatives—that's advice of Vincent Ashton, top-notch insurance salesman.*



*On the go in New York, Lily-Tulip's Fred Potter is a strong advocate of aggressive salesmanship.*

CONTINUED ON NEXT PAGE

# HOW TO SELL NOW

*continued*



## What makes a successful salesman

**DR. SCHIFF:** What has helped you most to achieve success?

**MR. GILL:** Knowledge. Knowledge not only of a product, but knowledge of the customer's problems.

**MR. PIRATZKY:** Underlying everything is ability and the feeling that you want to put in many long, hard hours. Without that drive and the willingness to work, you can't sell.

**MR. ASHTON:** From my experience, it's the desire to have certain things in life. I have always had a desire for a big car and a big house and a big family, and the best of this and the best of that. And after working in one field for 18 years, I went into sales, because in sales the harder you work, the more you can make.

The more you make, the more you can satisfy your desires.

**MR. PIRATZKY:** Selling is the one field where there is a direct relationship between how hard you want to work and what you have coming in. In other fields you can work twice as hard as anybody else and still make the same amount.

**MR. BORSELLA:** I would sum it up in two words—ego drive. It is not always necessary for me to get a few bucks out of a sale, if I have the satisfaction of completing something difficult.

In our business, knowledge is necessary, too. If you don't have knowledge of the field, you just can't handle a job.

**MR. KYLE:** Granted, knowledge is

vital. In my case, however, I combine a hobby with a career. Enthusiasm is my greatest help. You have to be one hundred per cent in favor of what you are doing, and have the ability to express that enthusiasm to others, or you will never succeed.

**MR. ANTIN:** I think the question is more complicated. You can't answer it simply. Each of us has been right so far.

Without knowledge, as Dick Gill said, you can't really sell anything.

We all look for money. But the thing that personally reached me, made me appreciate the mutual funds business, was when I realized that selling is an honest profession.

**DR. SCHIFF:** Critics of salesmanship sometimes disagree.

**MR. ANTIN:** Right. But in this country, until something is sold, it is nothing. It doesn't make any difference what you are selling; until it is moved, it is nothing.

In my business we deal in intangibles. People can't see what they are buying when they buy mutual funds, or insurance. We have to draw a picture for them. They can't feel it, and we are dealing with one of their most precious possessions—their money.

We have the satisfaction of helping people. There is the extra feeling of satisfaction you get when you go back to a client years later and realize you helped him financially.

I don't think there is a man in this room who is motivated only by money.

**MR. POTTER:** The end result of most of the salesman's work is satisfaction. Highly effective selling is something that comes from a particular type of personality. Someone who wants to release his creative drives that way. A man with the aggressiveness to go the extra mile, which is particularly needed today when you have to sell against computerization of buying decisions—Mr. Gill's field. That can be tough competition.

We have to be creative, beyond the point of just knowing our product. We have to know our competitors' products; how our competitors sell their products, how our competitors' products do.

MR. KYLE: Having been married recently, I have had about 38 insurance salesmen call on me. That will interest you, Mr. Ashton. Anyway, I always get a great deal out of hearing any sales presentation, because I often get an idea I can use in selling boats.

DR. SCHIFF: Beyond knowledge and ability, are certain traits always found in successful salesmen?

MR. ASHTON: I believe enthusiasm is universal.

MR. KYLE: If I'm convinced a man is completely sold on what he is selling me, and has the knowledge to back it up—and the service—I'll buy it.

MR. ANTIN: Okay, but you must have sincerity, too.

MR. ASHTON: Wouldn't you say you can't really be enthusiastic without being sincere?

MR. ANTIN: No. I have seen it done. On the hard sell you get all kinds of enthusiastic insincerity.

DR. SCHIFF: Can you spot somebody and say, "This is an enthusiastic man?" Or does a person become enthusiastic when he gets involved in a company or a product?

MR. BORSELLA: A few of these traits can be developed. However, there are some which can't be. One is the quality of knowing and trying to express the feelings of the people you deal with: to understand the customer, to know what his feelings are, to know what his problems are and then to translate them from his point of view to yours.

I think enthusiasm, persuasiveness, all come in here. You have got to have one or two of these fundamental qualities.

I have seen men in medical sales who weren't enthusiastic suddenly become enthusiastic over a particular aspect of our organization and its products.

However, I think satisfaction and drive are essential, too.

MR. POTTER: A positive mental attitude is one of the prime requisites of a good salesman. Negativism is almost impossible to overcome.

You can take almost any individ-

ual with a positive mental attitude and bring him into the realm of successful salesmanship.

MR. ANTIN: We have left out one vital trait—industriousness. The mark of a good salesman is to get out and see people. You have to work hard.

MR. PIRATZKY: There is one characteristic of all successful salesmen: It's a conglomeration of drive and positive thinking—the ability to go along with your share of satisfaction, when you go after an order, and drive to get the order, against the time when a competitor knocks your brains out. You have to be able to bounce back and go after something else.

MR. ANTIN: We have a man in our Baltimore office who says you aren't a salesman until you have been said "No" to at least 30 times. You have to keep coming back, in mutual funds or any other kind of selling.

MR. GILL: There is no other field in the world where you are left alone for so many hours and spend so much time on your own. I think all of us would admit that there are two kinds of business: easy business and hard business.

We could all probably exist on the easy business and still spend two or three days a week on the golf course.

The difference between making money and not making money is getting out there and racking up the hard business.

By being able to discipline myself, I find now I put in far more time than I did years ago when I worked under the direct supervision of somebody else.

MR. ASHTON: I'd include the ability to take criticism and be self-critical. Let me illustrate:

My first year, I sold a million dollars of insurance. I was Mr. Big and I thought I knew everything about selling.

Then I called on a certain gentleman. Some of you would know him. He is a successful publisher.

I walked into his office and he was there with his son. I told them I

(continued on page 74)



... sells mutual funds



... sells life insurance



... sells drugs



... sells office machines



... sells boats, yachts



... sells automatic controls



... and Mr. Potter sells plastic, paper products

# Business leader's philosophy: Every problem

America's great challenge is meeting change, says the new

WHEN the depression hit, young Bob Gerholz saw his flourishing home-building business begin to crumble. Seven years of hard work were trickling away as the demand for new houses dried up and the second mortgages he held became worthless.

Finally he faced an agonizing decision: Give up his independence and take a salaried job or try to keep afloat somehow, even though it meant hardship and the risk of total disaster.

He decided on the second course. Not only that, he sank every penny he could scrape together into real estate against the day when he would be building again.

That story tells two things about Robert P. Gerholz, the new president of the Chamber of Commerce of the United States. It demonstrates first his abiding faith in the future—"I'm one of the world's great optimists," he says. And second, it demonstrates his faith in his own industry and ability.

It also, by the way, demonstrates his good judgment. Since making that decision, he has built close to \$100 million worth of houses, apartments and commercial buildings in his home town of Flint, Mich., and its suburbs.

And he is still going strong.

Today, at 68, Bob Gerholz looks confidently toward the future. He talks of tapering off on his home-building and community development projects.

But there is something in his eye as he describes the satisfaction of transforming open land into a community of homes and apartments, stores, schools and parks that makes one doubt he can relax much.

His habit of looking ahead is not only an important ingredient in his business



# is an opportunity

president of the Chamber of Commerce of the United States



PHOTOS: DECLAN HAUN-BLACK STAR

*Mr. Gerholz, the president of Gerholz Community Homes, Inc., plans to bring the same imagination and energy to his new position as top spokesman for business as he has to his own thriving enterprises. Mrs. Gerholz will continue to lend encouragement.*



success, it also is an essential part of his philosophy.

"The trick," he says, "is to grow with the country. You don't have to be brilliant. You have to be able to piece things together, to look ahead. Every vacant piece of property and dilapidated building is a challenge to me. These things represent tremendous opportunities. And in a larger sense, there is not a problem in America that is not an opportunity. The saga of America is change—and change is exciting."

Mr. Gerholz likes to look beyond tomorrow or the day after, and he foresees amazing things. Futuristic highways, for example:

"We talk about the population explosion, and there is one. But we've got an automobile explosion, too. We've got to do something to bring it under control; we can't tolerate our highway slaughter much longer. I predict automated highways—perhaps stacked one above the other to handle the tremendous flow of traffic. I think that someday I will be able to set a tape in my car's computer in my garage in Flint and go to my cottage in northern Michigan without guiding the car at all."

Or, the community of the future:

"I see a trend toward the vertical city. The present spread-out pattern is no longer feasible if we are to provide the essential services. It seems to me that the pattern of the new cities will be much higher densities in living areas—but plenty of land set aside for recreation and leisure-time pursuits. If I were to plan a community for tomorrow I would have more families per acre in the residential area and I would have more acres of

*(continued on page 50)*

# A LOOK AHEAD

## Loan competition aids autos

*(Credit & finance)*

## Congress eyes state taxes

*(Taxation)*

## New hiring rules near

*(Labor)*

## New hiring rules

### Who's covered

You may not discriminate against a person in employment matters, starting July 2, because of race, color, religion, sex or nationality if you are:

- Employer of 100 or more workers
- Union with 100 or more members
- Private employment agency
- Union hiring hall
- Federal or state employment service

## AGRICULTURE

Watch for major battle over Agriculture Secretary Freeman's power to undercut market prices on farmers' crops.

Private cotton trading is already near death: New Orleans Cotton Exchange quit and New York exchange finds business scarce. Feed grains, wheat prices rise only as high as government sales permit.

Present law says government can't sell surpluses for less than 105 per cent of current support price plus carrying charges—unless commodities face spoilage. Farm spokesmen say government finds enough loopholes to let it sell at lower prices. This punishes farmers who refuse to join federal farm control programs by depressing market prices they get for their crops, American Farm Bureau Federation President Shuman charges.

Secretary Freeman's opponents ask Congress to raise federal selling price to at least 115 per cent and plug loopholes.

## CONSTRUCTION

Here's an industry where it's going to pay to think small: house building. So says the National Association of Home Builders.

It surveyed the industry and now finds big builders with a smaller

share of all new homes built than five years ago.

What's more, that trend will likely continue, says the association's study. How come? Local nature of housing market favors small builder. End of postwar housing boom reduces number of big tract developments. There's a trend toward more expensive homes, tailor-made by small firms.

Obviously, not all firms would agree. But even big firms can often profit from little fellows' lessons. (See article on page 94.)

## CREDIT & FINANCE

Hotter competition among financial institutions will help the already booming auto market as big selling season begins. Lenders hold down interest rates, speed loan processing, offer generally faster service in race for business.

"Rates are lower than I'd like to see them, but institutions seem to think they're in line," says one financial adviser.

Vigorous new lenders enter field.

Chrysler expands its new entry, Chrysler Credit, in the financing market. Sears, Roebuck's Allstate Finance establishes itself on Pacific Coast, is expected to push east. Savings and loan associations, savings banks, most of which are legally

banned from such lending, hanker to make auto loans. Credit unions make louder pitch for members' borrowing needs.

Banks step up advertising of direct financing.

Some car dealers wince as competition rises. Profits from financing are all that keep them in black, complain many dealers.

## FOREIGN TRADE

Fizzle or future success for big worldwide tariff-cutting negotiations now under way? Next few months will tell.

At least that's the crisis talk from diplomats in Europe and U. S.

Jean Rey, Common Market's equivalent of a foreign minister, figures major trading nations—U. S., Western Europe, Canada, Japan—can make a bargain on industrial goods. Industrial goods negotiators are currently trying to talk each other into removing various products from lists of items on which a nation refuses to lower tariffs.

But agriculture warfare could scuttle industrial progress. U. S. insists Europe open markets to American produce; Common Market refuses U. S. terms so far. U. S. and the Common Market will try to concoct compromise before September. Outlook: gray.

## Who's affected

### Who's exempt

You are exempt if you are:

- Employer less than 20 weeks a year
- U. S., state or local government
- Indian tribe
- Private club
- School hiring teachers
- Religious organization hiring religious workers
- Discriminating against communists
- Employer in need of employees of specific religion, sex or nationality for particular business operation

## LABOR

Deadline approaches fast for many companies to comply with hiring rules of Civil Rights Act.

The law takes effect July 2 for employers of 100 or more people. For smaller employers, the effective date hits later: 75-100 workers, July 2, 1966; 50-75 in 1967, and 25-50 in 1968.

After the deadline you, unions, employment agencies will run afoul of Uncle Sam if you discriminate against persons in matters concerning employment because of race, color, religion, sex or nationality. There's agitation to add age discrimination to the list.

How will law really work? Big questions remain unclear. Equal Employment Opportunity Commission which will oversee program has been delayed in getting organized.

If you need to bone up on rules you can get help by writing Chamber of Commerce of the U. S., 1615 H St., N.W., Washington, D. C. 20006, for its Guide to Civil Rights Act.

## MARKETING

Computer pooling grows as aid to selling, research, production. Computer manufacturers foresee technique's use by many firms, big and little.

One plan, for example, is being worked out by National Retail Merchants Association, the department store group. It figures system will let stores wet their feet in computer usage at low cost.

New York Stock Exchange works on central accounting facility for its members.

Manufacturers scent a growing market. IBM this summer switches on a pooled service in which subscribers around country plug into computers in New York or Los Angeles via a long distance phone call. Machines work so fast that many can use them at once.

General Electric offers a small computer designed to act as a remote terminal connected to central computers as well. Burroughs, Honeywell, many others experiment.

## NATURAL RESOURCES

Spending by business, local and federal governments, outside researchers on water purification will climb no matter how Uncle Sam's plans work out.

Federal pure water program will get going later this year with more aid to states and localities for water purification research, treatment facilities. Thing to watch: How much control U. S. will try to exert over state and business operations.

Business outlays will climb above present high levels. Companies now spend over \$100 million a year to keep streams free of impurities.

Carnegie Institute of Technology launches a study by economists and engineers of the best way to raise water quality in Ohio's Miami River basin.

## TAXATION

Help is coming for companies harassed by overlapping state taxes.

Sales taxes, use taxes, income taxes, capital stock taxes, gross receipts taxes. Companies in interstate business—around 200,000—often get assessed by several different states

on same tax base. Cities take their pound of flesh too. "It's our biggest problem," says top official of an apparel sales group.

The potential help is a batch of recommendations due next month from a congressional subcommittee. The lawmakers will likely call for federal act laying ground rules on who can tax what in interstate commerce. Optimists predict Congress will pass law during 1966.

A landmark study will back up recommendations. Subcommittee unveiled extent of overlapping income taxes earlier. Report on how other tax systems work, problems, possible solutions is due in June.

Sales and use taxes are biggest headache. Nearly 2,500 states, localities now levy them.

Sales taxes already account for 25 per cent of nationwide state tax take. Idaho levies a new three per cent tax. North and South Dakota, West Virginia, Wyoming are among those who've already upped rates this year.

## TRANSPORTATION

Airlines' cargo scramble brightens balance of payments.

U. S. carriers not only win bulk of big North Atlantic air freight from foreign lines but stimulate American exports by digging up sales prospects abroad for manufacturers here. TWA plans to launch this month a new program to aid small and middle-sized exporters. Pan American makes preliminary market surveys, puts out comprehensive book of tips for doing business in 105 countries.

Airmen forecast at least a doubling of air cargo business in next five years. This, says Juan Trippe, Pan Am's chairman, is "leading to the day when industry revenue from air freight business overseas equals revenue from passengers."

Cargo men look askance at the supersonic transport now on drawing boards. Rockets will carry air cargo before the SST becomes useful as a freighter, forecasts John H. Mahoney of all-cargo Seaboard World Airlines.

## DOLLAR'S FUTURE

*continued from page 33*

believe you put your finger right on the heart of the matter.

**Has there, up to this point, been any threat of direct controls?**

No. The President has been very explicit. The Secretary of the Treasury and the Secretary of Commerce have been equally explicit that this is a voluntary program.

**Do you think the government is doing all that it can to correct the deficit?**

I believe that the position of the Federal Reserve system on monetary policy has been sound. They have been operating on a policy of less monetary ease.

Insofar as the federal government's fiscal policy is concerned, the President has been making substantial efforts to balance the budget and to keep inflationary tendencies under control. My personal concern has been that inflationary trends not be allowed to develop. We must constantly be on our guard against those elements in the domestic picture which could cause inflation in the future.

Government spending is certainly one of these that must be constantly watched. And another is the trend of wage costs.

We have been greatly helped in this country by the absence of inflation in the last few years, at a time when Europe has been subjected to inflationary pressures. It is extremely important for our balance-of-payments program that inflation not be allowed to creep into our domestic picture.

**Would you give some examples of how a company can improve its balance of international payments?**

I would say that the average businessman, in developing his own direct investment policy, can help the program very substantially if, in the first place, he screens those investments and their profitability with extra care and becomes involved only in those foreign investments which give promise of very satisfactory rates of return.

Secondly, he can exercise strong efforts to finance abroad the maximum amount possible of these direct investments so that he isn't required to transfer dollars from this country to finance them.

**How about traveling overseas on business?**

I feel the same way about business travel that I do about direct investments. I think we should first ask ourselves, is every trip necessary? Are those trips restricted to that time necessary to accomplish their objectives?

And, finally, can we assure ourselves that, to the extent possible, our foreign subsidiaries carry their fair share of the expenses of this travel—which is quite an important element, actually.

**Suppose you have just announced a new plant in a foreign country. Would you cancel or postpone it, or go ahead with it?**

The government's announced program, as I understand it, is not to discourage truly profitable direct investment. The government realizes that unless such investments are made over a period of time America's competitive position in these important overseas markets would deteriorate and be damaged. So that, as I said earlier, the only thing I would do would be to look very carefully at that proposed investment and make sure that it comes up to desirable criteria of productivity.

But I would make a very careful survey to determine how much of the capital requirements of that plant could be financed overseas, even though some additional financing expense was involved.

Interestingly enough, at about the time that the Secretary of Commerce announced the program that we have been discussing, our company secured approval of a major refinery to be constructed in Amsterdam and possibly a key petrochemical plant. And our attitude toward this investment is exactly what I described, what any businessman should do. We are considering that if this comes to fruition it will, indeed, be a very productive investment, and we are currently studying very hard to see how we may raise the maximum amount of the capital requirements of that plant overseas.

We recognize that overseas financing is going to be somewhat more expensive than financing the plant by moving dollars from this country to Holland.

**When you finance an operation abroad, generally speaking, don't you have to pay a higher interest cost?**

Yes.

**And by doing your financing abroad don't you tend to push those interest rates higher, thereby widening the**

**gap between the cost of money in this country and abroad?**

In theory, yes. But the European market has changed in character notably over the past 10 years.

European savings have increased. Europe's capacity to finance capital expansion has increased. I don't think that up until the time this balance-of-payments program was announced this fact was being adequately recognized by America's businessmen.

Now, I suppose, the pendulum will tend to swing pretty far in the other direction, but it will be restrained by the money-market rates.

I regard the exercise as being a very constructive one, because it will, at the very least, place America's businessmen in a position of testing that market and using it to the extent possible.

**Mr. Nickerson, to what extent do you think restrained investment at this time might damage our balance of payments several years from now?**

Well, as I have indicated, I do not believe that the government's program is to restrain profitable United States direct investment. As a matter of fact, it seems to me that earnings from such investments are the most important element in what we expect will be the correction of this problem.

The problem will be corrected over a period of years, in my judgment, by profitable direct overseas American investment. In fact, I look upon the voluntary balance-of-payments program as a bridge which will lead us over this period of adverse balance of payments to a period when we come into balance.

I regard this as the function of the balance-of-payments program, not the ultimate solution to our problem but a bridge which permits us to get from here, where the payments balance is adverse, to there, where it comes more nearly into balance.

**Do you think this voluntary program may not result in long-term improvement?**

Yes. I would say that we have to be very careful not to become too easily satisfied with what may appear to be immediate favorable trends arising in the next two quarters, let us say, from the return of liquid assets to this country. I don't mean to say that this isn't desirable, providing it proceeds at a rate which doesn't put undue pressure

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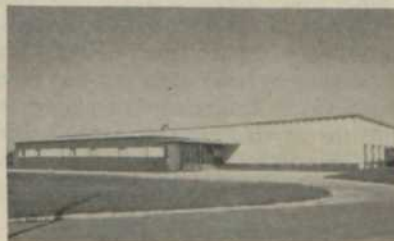
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### DOLLAR'S FUTURE

*continued*

on the economies of some of the European countries. But for the longer run we must look to a more profound solution.

One aspect is the handling of overseas direct investment programs in a way which will insure, 1, that only those direct investments are made that will reflect really profitable ventures and, 2, the maximum amount of financing for these foreign investments is made abroad.

Another essential aspect of any program must be a sound monetary policy.

**Do you believe that if the deficit is not eliminated the dollar will be devalued?**

It seems to me that the determination of our government to protect the value of the dollar has been so forcefully and eloquently expressed by the President, the Secretary of the Treasury and the Secretary of Commerce that any thought of devaluation can be simply written off.

The Secretary of Commerce has attempted to set up a voluntary program which is as simple and informal and, consequently, as effective as possible. He has not requested information on all elements of companies' balance-of-payments budgets.

I think his view on imports at this moment is that we needn't focus a great deal of attention on them, since they are a function of necessary company operations and are less important than making a strong effort to increase exports.

**Can you suggest ways American businessmen might increase their exports?**

The Secretary of Commerce has said his program is directed to the chief executive officers of each company. Each company has its own problems and its own opportunities, and there is no one who understands them as well as that chief executive officer.

I believe this is one of the strengths of the Secretary's position.

He is asking each chief executive officer to direct himself to questions just like the one that you have asked.

I think this is a question that has to be answered by a chief executive officer of each individual company.

**Mr. Nickerson, some companies had**

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than earning its keep by saving time, increasing sales information, and thus increasing our control over our own business. Unusual? I'd call it essential." Joseph A. Grazier, President, American Radiator & Standard Sanitary Corporation, New York City.

*Joseph A. Grazier*



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## DOLLAR'S FUTURE

*continued*

substantial improvement last year in their own balance of payments and believe there's little chance of improvement this year. Do you know how widespread this might be?

No, though I have no doubt whatever that there will be some instances of this kind. This is the reason why the Secretary of Commerce has not applied the 15 to 20 per cent objective to individual companies, but rather to industry as a whole, because he recognizes that in some cases companies cannot produce any improvement at all, while in other cases companies can produce improvements which will very greatly exceed the 15 to 20 per cent objective that is being used as an over-all target.

**Are there other specific actions which your own company is planning that might be useful for others to know about?**

We are in the course of putting a program together. Our treasurer is coming to us with his recommendations, and then we, as an executive committee, are going to sit down, study the program very thoroughly, test it, see if there is any way that we can improve it, and then put the program into effect.

I can assure you that we are going over our plans with a fine-tooth comb.

We are going to see if we are doing everything that we possibly can within the limits of good business judgment to maximize our performance.

We are going to work hard to make a maximum contribution. Those businessmen that I have talked to about this have very much the same attitude. They recognize first that the United States must make a substantial improvement.

They recognize, secondly, that the Administration is giving them an opportunity to follow a truly voluntary program. And they recognize, finally, that in the unlikely possibility that this program should be unsuccessful, something more is going to be done.

Consequently, I am sure that every businessman who reflects on this program is going to give it his earnest consideration, his personal attention and will make a genuine effort to maximize his company's balance-of-payments position. **END**



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## BUSINESS LEADER

*continued from page 41*

greenery, of tennis courts and baseball diamonds than we now provide. That way you can give people the services and the roads they need at reasonable cost and still provide even better facilities for their leisure."

His fundamental optimism doesn't blind Mr. Gerholz to the world's troubles and the need for answers. On a tour of the world last summer he was struck by the tension he felt everywhere—in the Tonkin Gulf area of Southeast Asia, along the India-Pakistan and India-China borders, in the Holy Land, and particularly at the Berlin wall—which he calls "the most depressing sight of the Twentieth Century."

He thinks that in the long run education will be the answer to many of the world's ills, and he cites the success of the Japanese, with nearly 100 per cent literacy and nine years of compulsory education, to support his argument.

Along the same line, he feels that the material aid America gives to foreign countries is largely unappreciated and even unrecognized by the people themselves. He suggests that much of the aid money might better be spent in bringing the most promising young men and women from underdeveloped countries to the United States to study in our schools and technical institutions and become imbued with the American way of life.

"It's a long-range approach; it would take 10 to 15 years to produce a crop," he says. "But if we could train and educate these young people, let them see democracy work and then go back with it in their minds and ears, it would be well worth our picking up the tab."

Mr. Gerholz sees a need for more education in this country, too. In addition to wiping out our own illiteracy, he says, we've got to see to it that people learn to make better use of the increased leisure time that is coming their way.

He expresses some of his worries about America's problems this way:

"Crime and juvenile delinquency are on the increase. People just don't know what to do with themselves. There is not enough concern for the inner man—for such things as strength of character, integrity. You can build new housing for the underprivileged, but it doesn't do any good if you stop

after you've taken the man out of the slums; you've got to take the slums out of the man.

"We've got welfare running out of our pores, but the government can't provide what I'm talking about. We've got to stop smothering ourselves in things—and government programs to provide more things—and start worrying about that inner man. And when I say we, I mean businessmen—those of us who represent private enterprise."

One aim Mr. Gerholz has for his term as Chamber president is to try to galvanize grass-roots support for Chamber programs.

"I've noticed that when labor spokesmen go before a congressional committee," he says, "they get a standing-room-only crowd and the full committee is there to hear them. That's because they've

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For world business trends that affect you, check the authoritative report from the Economist Intelligence Unit of London, Page 71.

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been able to mobilize their millions of members into a working political machine. I hope I can awaken America's businessmen to the fact that they, too, must get into the fight and back up their beliefs; they must overcome any complacency or indifference. There must be a determination not to lose by default.

"I remember something that happened some years ago when I was at a congressional hearing. Mayor Richard Daley of Chicago was on the stand, and he was asked what his city wanted of a federal program. He stood up and threw out his arms and said, 'All we can get just as soon as we can get it!' That's the sort of thing we've got to fight."

Mr. Gerholz brings to the task he has set himself some priceless assets:

Enthusiasm, energy, a deep belief in self-reliance and what he calls the Puritan ethic. He also brings something of even greater importance: The knowledge that he is the son of a man who came here by steerage from Germany, that he himself started without a cent to his name and that he is now a happy, successful, well-to-do American. He is thankful for this good fortune and he feels that in return he must do what he can to support and build the way of life

that made it possible. Horatio Alger could have written the Gerholz success story. The title could have been, "The Rise of Bob the Book Boy."

Mr. Gerholz was born on a farm in Wisconsin, one of 12 children. When he was five years old, his father, a timber dealer, moved the family to the little town of Merrill, Wis. Life in the Gerholz house was not laden with luxuries. But, Mr. Gerholz recalls, some more important things dwelt there: Love, a keen sense of integrity and a belief in the virtue of hard work.

"I knew the satisfaction of working from the time I could walk," he says. "And I had fine, Christian parents. There weren't more than 10 books in our house, but I still can remember the Bible stories my mother would read to us in the evenings. Those stories are with me. They make up my inheritance, and it can never be spent."

Bob left school in Merrill at the end of the eighth grade, and at 15 he left home to make his way in the world. From that day on, he supported himself. His first stop was Big Rapids, Mich., where he undertook to get a high school education the hard way. He entered Ferris Institute, a private school run by Woodbridge N. Ferris, then the governor of Michigan, and by doing yard work, stoking furnaces, milking cows and shoveling snow, he managed to pay his expenses while completing four years of schooling in two years—with some extra teaching courses thrown in.

Governor Ferris was taken by the enthusiasm of his young prize student from Wisconsin and took him under his wing. Mr. Gerholz now says Mr. Ferris "was the man I admired most. Instead of treating me like hired help he made me feel I was one of the family, and he wrote me letters like a father's while I was overseas in World War I. I guess he liked my enthusiasm—the fact that I shoveled snow faster than anyone else."

Mr. Gerholz is especially proud of the fact that Ferris State College, the successor to the Institute, in 1957 gave him the honorary degree of doctor of laws.

It was during the summers of his years at Ferris that he became "Bob the Book Boy."

Astride a bicycle, and with a brochure tucked under his coat, he went from farm to farm in rural Ohio peddling "The Practical Stock Doctor," a self-help book for farmers. The price was \$3.50 (\$3.95 for the handsome leather-bound

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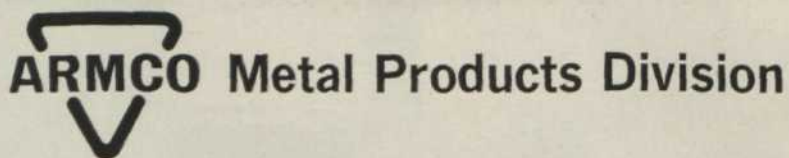
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**BUSINESS LEADER**

*continued*

edition) and he made \$1.75 on each sale. He got his room and board on the road by giving discounts on the book; a 10 or 20 cent cut in the price was good for a farm-style meal or a night's lodging.

Mr. Gerholz now recalls those days of teen-age salesmanship with affection. In fact he still treasures the brochure he used.

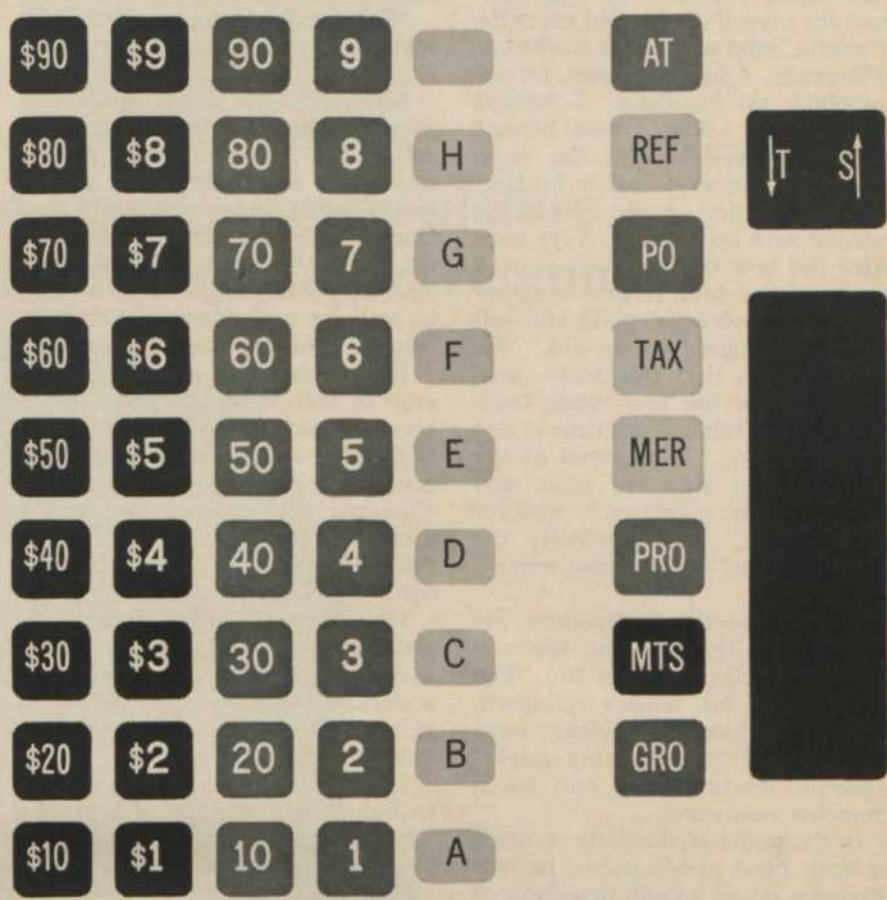
In addition to providing valuable training in salesmanship, he says, the experience taught him about people and how to get along with them. He gave evidence then of a resourcefulness that stood him in good stead later. For example, one strategy he found useful was to play baseball with the team of the village he was canvassing. Then when he visited the farmers, they would remember him as the young stranger they had seen on the ball field and would welcome him as a friend. "I made more money those summers than I knew was in the world," he recalls.

After graduation from Ferris, young Gerholz worked for a time in the office of the Detroit YMCA. Then, when the United States entered World War I, he enlisted as a private and was sent to France. There again his energy and drive separated him from the crowd, and he was selected for the officers' candidate school at Saumur—one of the few non-college boys chosen. When the war ended he left the army as an artillery lieutenant after 22 months in France.

His experience in the army—and particularly at Saumur—convinced young Gerholz that the lack of a college education was a handicap, and on his return to the United States he entered the University of Wisconsin, again earning his own way. But after two years of college he decided time was awasting and in his junior year he left for good, taking a job with a Flint real estate firm for which he had been working during the summers. His career was under way.

Bob Gerholz the salesman moved with characteristic speed. After a year of working for a salary he set up his own business—he was now 26—and he never worked for another man again. Why was he able to move so fast? He puts it this way: "Well, I was 'hungry'—more so than the other fellows. They were sitting around waiting for another boom. I had never seen a boom, and for a young fellow who

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## BUSINESS LEADER

*continued*

had made \$1.75 on every book sale a \$175 commission on selling a house looked pretty good. In 1923—the same year I went into business for myself—I married my wife, 'Freddie,' who was also a student at Wisconsin. I had no home, no automobile, no furniture. I wanted those things. And I was blessed with good health. But the main thing was, I really liked to hustle."

For the first seven years he hustled with good effect. Very soon after the new business was started he built the first house—"another fellow said 'why not build and sell a finished house,' so we did." He decided then that this more creative phase of the real estate business was for him. For a time it was touch and go. "I borrowed at the bank, figured close on cash, and persuaded my suppliers to wait for their money." But gradually the pressure eased and success seemed assured.

Then came the depression. He recalls those three or four years as the most difficult of his life. The demand for his houses collapsed. He found himself holding large quantities of "disappearing assets"—second mortgages he had taken from his customers.

In the midst of the daily struggle to keep head above water, he was offered a job as a bank liquidator at the respectable salary of \$5,000 a year. But after much soul-searching, he turned it down. By taking on remodeling jobs and anything else he could find and by working hard at buying, selling and trading houses, he managed to keep going.

Not only that, he was able to scrape enough money together to buy substantial acreage in a subdivision called Country Club, adjoining the Flint Golf Club, at bargain prices.

Eventually he did some of his finest home-building on that acreage, and, he says now with satisfaction, "It turned out to be a very profitable venture."

After the depression Flint grew.

So did the Gerholz enterprises. Starting with custom-built homes, he soon branched out into planned communities—amassing the undeveloped land, drawing plans for houses, apartments and shopping centers, building them and marketing them. His latest ventures include some highly popular town houses and Flint's first high-rise apartment building, a ten-story, 80-

unit project now in the planning stage. He still owns 500 acres of land awaiting development.

While Mr. Gerholz still gets a keen sense of satisfaction out of transforming open land into useful living space, he deliberately has slowed down his business activities.

"I've made enough money," he says. "There is no need to press so hard."

However, the easier pace still means daily supervision of his still substantial business while at the same time channeling more energy and thought into community and church activities and his Chamber work. Stocky, trim and looking at least 10 years younger than his age, he radiates enthusiasm about every subject that captures his interest.

Mr. Gerholz has turned his energy to both state and local chamber of commerce activities. He is a director and member of the executive committee of the Flint Chamber of Commerce, and he was a charter member of the Michigan State Chamber, organized six years ago.

He is particularly enthusiastic about his community—Flint. "When I came here the population was under 100,000," he says. "Now it is over 200,000, and I have been able to grow with it."

His community activities have included treasurership of the Flint Light Opera Company, presidency of the Flint Federation of Churches and the Rotary Club and membership on the planning board.

An elder of the 4,000-member First Presbyterian Church, he is deeply religious—"I never begin a day without a prayer. I am excited about each new day and hope to prove myself worthy of the time given me." In recent years he has used fees from speeches he makes around the country to help divinity students through school.

Mr. Gerholz gave up both smoking and drinking some years ago. Of smoking, he says: "I quit after a doctor charged me \$20 for telling me that I should change brands in order to get rid of a cough that was bothering me. I decided that any habit that caused me to have to pay for that kind of advice wasn't worth keeping."

And of drinking: "I was a social drinker and never really enjoyed it. I'd seen people ruined by drinking and I decided one day that I would do more to help people if I were to stop entirely. So I did. And I've never regretted it."

Unlike many self-made men, Mr. Gerholz has always been able to

temper his work with fun. In his younger days he was a figure-skater as well as a baseball enthusiast. Now he is a hunter and fisherman, getting away from it all periodically at his cottage or hunting club in northern Michigan or moving further north into Canada. He is also a 16-handicap golfer and plays in American Seniors tournaments.

Travel, too, is a big thing in the Gerholz scheme of things. He has been to Europe nine times—twice as an American management representative at International Labor Organization conferences at Geneva—and in every state of the union. Last summer he and Mrs. Gerholz took a jet-powered eight-week tour of the world.

Mr. Gerholz and his wife, the former Freda Clark, live in a comfortable house in a fine old residential section of Flint. His three children are all grown and married now, but they are still close at hand—as are his 11 grandchildren—since all live in Flint.

His son, Robert C. Gerholz, is also in the construction and development business with his own firm, Glendale Builders, Inc. One daughter, Barbara Lee, is the wife of Al Koegel, head of Koegel and Co., a meat-processing firm, and the other, Janyce, is the wife of Dr. Fred Pike, a dentist. The girls have four children each; son Bob has three.

This is a closely knit family unusual in these days of mobile populations, and Mr. Gerholz, in talking about the pleasure he gets from his grandchildren, declares that "these are truly the golden years."

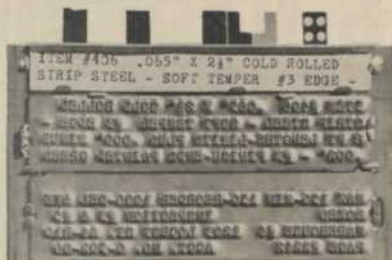
Since the children have left home, Mrs. Gerholz has been taking an increasing interest in the business. One of her pleasures is to act as hostess at Gerholz model homes. Not only does this give her a chance to help her husband, but it brings her in contact with young people starting their homes—something she thoroughly enjoys.

Mr. Gerholz gives a large part of the credit for his success to his wife, who saw him through the difficult years when his business was on the brink and when selling the houses he built was a day-and-night enterprise.

She likes to recall a Thanksgiving Day many years ago when a potential customer who wanted to look at a house came to the door just as her husband was carving the turkey. The carving stopped and the house was shown; the salesman in Mr. Gerholz could never let a chance like that go by.

—CHARLES B. SEIB

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# What's happened to the will to work?

Uncle Sam spends billions on unemployed  
while jobs of all types are going begging

THE CORNER of Fifth and K streets, N.W., is quiet and deserted at 6 a.m., like most other corners of Washington, D. C. at that time. A few years ago scores of men in overalls would have been there, waiting. Whenever a dump truck would stop at the corner, the men would jostle to clamber aboard. The driver usually had to yell for two or three to get off and wait for the next truck.

Today drivers still seek laborers to take to construction jobs, but they no longer bother stopping by Fifth and K. The men are not there any more. Now the drivers go to the public employment service office, fill out forms and wait their turn and hope for a complement of workers. Sometimes they get the men they need, sometimes not.

It's the same story in many spots throughout the country. Jobs for low-skilled workers are available, but where are the workers?

Grocery stores seek stock boys, barbershops want men to shine shoes, cab fleets need drivers, lettuce growers advertise for help in the fields, service stations lack enough attendants and families are looking for maids and yard men.

Meanwhile, paradoxically, the federal government's Bureau of Labor Statistics is reporting 3.5 million people—about 62 per cent of them low-skilled—"looking" for work.

Largely because of these reports, the President and liberal congressmen are pressing for a 300 per cent rise in antipoverty expenditures for the coming fiscal year.

They want the federal government to finance expansions of the Job Corps, the Neighborhood Youth Corps, the work-experience program, the domestic version of the Peace Corps known as VISTA, the Area Redevelopment Administration, "community-action" grants, the job training program, youth opportunity centers for placing "disadvantaged" young folk, aid for depressed regions, public works in areas of "high unemployment" and enough welfare programs to make the Department of Health, Education

and Welfare the third highest-spending department in the U. S. government.

Certainly there are many disabled or otherwise unfortunate persons who can't work today. However, public expenditures for aid to the unemployed, not counting welfare, have risen to a total of \$4 billion in the past fiscal year alone.

To find reasons behind the paradox, NATION'S BUSINESS interviewed the people closest to the problem, the private employment agents. They try to find jobs for persons who want them and persons to fill jobs they know are open.

"Our welfare system has produced a whole group of people who not only don't work, but won't work," comments Theodore C. H. Wilson, a director of the National Employment Association and the owner of a string of agencies in the Washington area.

"A lot of those fellows who used to show up on the corner for construction jobs have learned about the miracle called unemployment compensation. Why work when the District of Columbia, for example, will give you \$49 a week tax-free for not working? I know of people who work just 12 weeks of the year. They've found ways of skirting the law so they can live the rest of the time on unemployment compensation."

## **You get billed**

The compensation miracle varies from state to state. Utah pays \$17 a week to people on its rolls. California goes as high as \$55. You, the employer, pay for the whole program—so much for each worker on your payroll. Part of the rates you must pay—if you hire more than three persons (or, in some states, if you hire anybody at all) for more than 20 weeks in a year—is set by the federal government, the rest by your state.

In effect you are required to pay for a program that feeds on itself. The more money in the unemployment fund, the more likely payments to an individual unemployed worker will increase. The closer



these payments come to what's paid under the federal minimum wage law, the more likely it is that a worker will refuse to take a minimum-wage job and the greater will be the pressure for higher minimum wages.

Mr. Wilson says his agencies no longer deal much with low-skilled workers, because he found too few of them willing to accept the present minimum wage, especially on permanent jobs.

"Kids drop out of high school and expect to get jobs paying at least \$100 a week to start," Mr. Wilson said. "A lot of them are used to \$15 or \$20 weekly allowances and expect to keep on getting something for nothing.

"A kid with no experience will come in wanting to go into TV as a personality. He doesn't believe you when you tell him he'll probably have to start by running errands and sweeping out the studio at \$35 a week.

"They say, 'I'll do anything.' But you offer them a job and they'll reply, 'Well, now gee, that's an awful lot of work.' Unless, of course, you offer to make them vice presidents of General Motors."

Grayce R. Taylor, president of Alert Personnel, Inc., in Tampa, Fla., reports that in a period of a month and a half recently her office had 97 job orders for unskilled jobs which the Florida State Employment Service could not fill.

Wanted were plant workers, trainee electricians, plumber's helpers, filling station attendants, dishwashers, porters, warehousemen, electronic trainees, stock clerks, drug clerks, shipping clerks, clean-up men, yard workers, construction laborers, nailers, delivery men, janitors, counter trainees, orderlies and kitchen helpers.

Wages on these job orders ran from 85 cents an hour plus meals to \$1.70 an hour.

Meanwhile, the Florida State Employment Service, which doles out \$33 a week to a person for not working, listed some 1,400 unemployed unskilled workers in Hillsborough County, which includes Tampa.

Just across Tampa Bay in St. Petersburg, Jules Dobey, manager of Admiral Personnel, says his recent job openings have included a steam cleaner trainee at \$1.25 an hour, four printer's apprentices at \$1.25 an hour, two factory trainees at \$1.50 an hour, five janitors at \$1.25 an hour, seven service station attendants at \$60 a week; 10 truck drivers at \$1 an hour and a lubrication man at \$1.15 an hour.

The National Industrial Conference Board's help-wanted index, which measures the volume of classified job advertisements in 52 major newspapers across the country, climbed to 137 at the end of last year. That's 19 points higher than the year before and 37 points above the base years of 1957 through 1959. Biggest jumps between December 1963 and December 1964 were noted in Richmond, Va., 64 points, Nashville, Tenn., 39 points, and Charlotte, N.C., 35 points.

"Any boy who really wants to work can get a job" claims John T. Scannell, president of an employment agency in Worcester, Mass., and a member of the legislative committee of the Massachusetts Technical Employment Association. He says there are many

## New laws are being considered which actually could encourage more loafing

jobs for auto mechanics, greasers, parts clerks and trainee draftsmen, if teen-agers could shake off the idea that they should start by getting at least \$85 a week.

William H. Hagedorn, manager of Personnel, Inc. of Wheeling, W. Va., contends that many low-skilled workers have "an inflated idea of what they're worth." They turn up their noses at openings in his area for such jobs as milk and bread route men, shipping clerks, store floormen, plumbing salesmen, maintenance men, body men, mechanics and filling station attendants.

"A nearby company conducts a free five-hour school each Saturday in die-setting work and machine shop practice," Mr. Hagedorn says. "Some of the unemployed show up one or two times until they discover that they have to work their heads some. Then they don't come back again."

Gordon Blair, manager of an employment agency in Seattle, Wash., believes any person who presents "a sharp image" can get a job in his part of the country.

The elderly owner of a small grocery store in Silver Spring, Md., plans to close his shop and retire because he can't get a reliable person to help him stack boxes and clean up the store.

"Sometimes I'll get guys who'll work a few hours, and then they find out it really is work and they quit," he laments.

Roy Fleischman, executive vice president of B-Line Cab Co., Louisville, Ky., pointed out to **NATION'S BUSINESS**:

"Today there is hardly a town in this country where an adult male who can drive a car and is reasonably literate could not get a job driving a cab—and make a good living at it. Nevertheless, in this period of so-called unemployment, most cab companies have a great part of their investment in equipment inactive due to lack of drivers."

### **Jobs have rivals**

Why are people not snatching up these jobs? Competition from unemployment compensation and welfare programs and a lure for early retirement in the form of social

security and private pensions are part of the answer.

Added to this are more personal reasons among would-be workers: inability to read or write well enough, lack of motivation or simple aversion to work.

"I was too busy taking them by the hand across the street," recalls Sherry D'George, president of a personnel agency in Altoona, Pa., in explaining why she quit trying to get low-skilled workers to take jobs.

"They think they should start with \$5,000 to \$10,000-a-year jobs even though they seem to have no qualifications.

"Their main problem is that they feel they are too good for the positions we have open.

"If we tell them about jobs outside of this area, nine times out of 10 they want the interviewers to pay their expenses. They are not willing to invest in themselves.

"Often they come in and say, 'Next week my unemployment compensation runs out, so now I want a job.' They don't want to sacrifice to get ahead, especially while they have a party going."

A survey reported this year by the Gallup Poll indicates that the public by substantial majorities supports each of the following plans to tighten up relief regulations:

1. No unemployed person should get more money from relief than he could by taking a job.
2. Food and clothing should be provided to persons on relief, reducing the amount of money given to them.
3. Those who come recently from some other place and try to get on relief should be required to prove that they came because they had a definite job offer.
4. Persons should be required to live in a community for 60 days before they can get on relief there.
5. All men on relief who are physically able to work must take any job offered which pays the going wage.
6. If men on relief, who are physically able to work, cannot find jobs,

they must work for the city on streets, parks and the like.

Such regulations would prevent cases such as that witnessed at a Detroit unemployment center. A man standing in line there with his two small children said he had been laid off work and was tending the children and drawing unemployment compensation while his wife worked. After his eligible period for drawing unemployment checks runs out, he explained, he will get a job and his wife will quit to tend the children and start drawing unemployment checks on her own.

"It's a right nice arrangement," the man beamed.

Actually, the average jobless American is not a married man or chief breadwinner of a family. Less than half of them fit that category. Only about one in 20 unemployed bothers to go to a private employment agency to find a job, employment agency officials figure. And a majority of those who have been jobless for more than half a year still say they won't even consider moving to take another job.

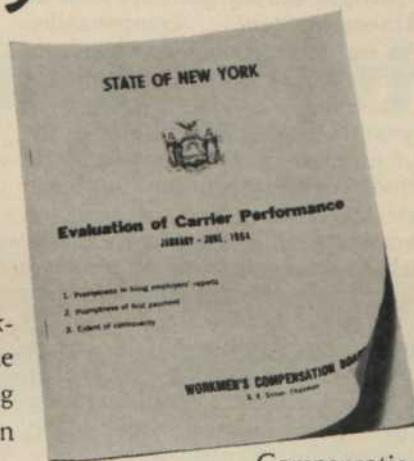
In Los Angeles last August an unemployed electrician registered with the local federal-state employment office, a facility you as an employer pay for to disburse unemployment compensation checks and to seek jobs for the unemployed. The electrician at the same time, on his own, advertised for a job in a local newspaper. That same day the newspaper ad brought him three job offers, one of which he accepted. Eight months later he had still not heard from the public unemployment office.

Unemployment compensation is supposed to help pay a person's living expenses from the time he may suddenly find himself out of work through no fault of his own to the time he finds another job. The United States Employment Service by law must see to it that unemployment compensation goes to persons regardless of need just so long as they show they don't have jobs at the moment and have made some move to find another job. So a stage star drawing \$3,000 a week during the run of a play can start receiving unemployment checks at its end.

Theoretically, the federal government lets the states decide who should get unemployment compensation. But both the state and federal unemployment taxes that you pay go first to a fund in Washington where the money is redistributed to the state employment offices. This redistribution is according to how Labor Department officials feel

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Recently, the New York State Workmen's Compensation Board measured the performance of 56 companies writing Workmen's Compensation Insurance in the state.

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1. How promptly did each company file employers' reports?
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## WILL TO WORK

*continued*

about the needs in various states and the way the state offices are running their programs.

The result is that a state trying to keep poachers off its unemployment compensation rolls by tightening its regulations could find itself threatened with a cut-off of unemployment money.

South Dakota last year amended its unemployment compensation law to require longer waiting periods for unemployed applicants whose earnings exceed \$6000 in the preceding 12 months. The Labor Department held that this was a "needs test." It said it would not certify the state's unemployment program as long as the provision remained.

Loss of certification would have meant, in effect, that the unemployment tax on South Dakota employers would rise. In November South Dakota gave in to the Labor Department by retracting the amendment.

### **The compensation boom**

"There is a nice correlation between the number of pregnancies and the number of people on unemployment compensation," notes Martin R. Gainsbrugh, vice president of the National Industrial Conference Board, the New York research organization. "Unemployment rolls also seem to go up during hunting seasons."

Julie Anderson, owner of Nationwide Personnel and the Helen Hart Agency in San Diego, Calif., reports that not once during her 13 years in the employment business has anyone from a state unemployment office contacted her to see if a person actually had applied for a job, as required to receive compensation.

"And this is true with everyone else in this business that I've talked with," she says. "I have even tried to call the unemployment office and give them information, but they aren't interested."

Persons with highly needed skills are among these shunning jobs in order to collect unemployment compensation. For example, in California, where you can get \$55 a week for 39 weeks of not working, an employment agent in the past six months had three men with college degrees turn down suitable job offers because they wanted to take a vacation at public expense.

"Girls are worse," the agent said. "Many of them have no intention

of a work career, but file for unemployment compensation to help pay their wedding costs.

"People in general have the feeling that unemployment compensation is a program they have invested in, so why not take advantage of it. Of course the truth is that all the money for the program comes from employers."

A small part of the money would come from employees, under a program backed by President Johnson. But the proposal is seen mostly as a sop to employers. For the Administration also hopes to raise the weekly checks going to the unemployed, lengthen the time over which these checks are given and, of course, boost the taxes you would have to pay to finance the increases.

Along with that, President Johnson hopes to give the federal government a still stronger say in how states administer their unemployment programs. Congressional action on unemployment pay bills is not expected until late this session or perhaps during the next session.

Unemployment compensation pays out more money to more persons than any other type of aid to the unemployed. Compensation payments totaled \$2.8 billion in the past fiscal year. Other types of aid include public spending by local, state and federal welfare agencies, special training programs, public works, area redevelopment and state employment services and spending by private welfare agencies, by friends and families of the unemployed and by industry, mostly in the form of supplemental unemployment benefits, severance pay, early pensions and training.

The W. E. Upjohn Institute for Employment Research estimates that society's total expenditure for aid to the unemployed during the past fiscal year totaled \$4.9 billion. That's one per cent of national income.

The nation's true unemployment rate—that is persons actively seeking work—is probably no greater than 2.2 per cent of the labor force, not the five or so per cent given by the Bureau of Labor Statistics, contends Robert O. Snelling Sr., president of 160 employment agencies all over the country.

The trouble with the government's figures, Mr. Snelling says, is that they include many who say they would like to work but who don't urgently need a job and are not seriously looking for work.

### **Ringers among jobless**

He gives the following as ex-

amples of people who are wrongly included in unemployment figures:

1. High school and college students between semesters who will be returning to school.

2. Production workers on temporary layoff because of production changeovers.

3. Housewives who say they would like to earn extra money even though their husbands have jobs and are acting as heads of their households.

4. People who have voluntarily left their jobs to strike against the company.

5. Seasonal workers who regularly work only part of each year.

6. Children between the ages of 14 and 17 who have quit school and are in most cases being supported by their parents.

7. Actors between shows who have already earned as much as \$50,000 during the year.

8. Retired people on social security and retired servicemen receiving pensions who say they'd like to work to get additional income.

9. Persons scheduled to start new wage or salary jobs within 30 days.

10. People who are temporarily ill and are not looking for work because they believe there is no work available for them in their community.

11. People whose skills are in demand elsewhere but who refuse to move.

12. People who are looking for part-time work.

13. People who have been offered work but have refused to accept it because they consider the pay too small, the distance too far, the work too different from their previous occupation or the position beneath their dignity.

"Including these kinds of people in statistics that are supposed to reflect the percentage of people genuinely out of work and actively looking for employment is ridiculous," Mr. Snelling claims. "Many of them would not take a position even if offered, especially if they are still collecting unemployment compensation."

"The unemployment figures advanced by the Department of Labor are bloated out of all proportion for political expediency, for bureaucratic reasons and to make sure the United States Employment Service keeps getting an increasingly larger share of the taxpayers' money."

**END**

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# WHY RECESSIONS ARE OBSOLETE

Five major factors have just about halted the kind of business downturns we once had

OUR ECONOMY today is all but recession-proof.

There's no reason why business, now riding high into the fifth year of our greatest boom, should worry about a sharp dip in the future.

For five major reasons it now appears that we have about blocked the plunges in the business cycle we dreaded in the past:

1. Our economy is protected against recession by its diversity.
2. Major sources of jobs have become steady.
3. People are spending much more for many more things.
4. Government is adopting a new approach.
5. Business is wiser now.

The U. S. economy of 1965 is amazingly diversified. No single industry dominates the economy.

If one, or even a few industries, dominated the economy, even minor fluctuations in these industries could cause trouble. When the demand for or price of copper falls, for example, Chile is in trouble. Ghana is in serious difficulty when the price of cocoa is low. But when no industry is dominant, several industries can lose business without affecting us seriously. Other indus-

tries can be picking up steam at the same time these are slacking off.

Depressions and recessions in the United States during the Nineteenth Century were very heavily influenced by the fact that the U. S. economy was dominated by agriculture. When the foreign market for agricultural products was weak, we had trouble. When it was strong, we had prosperity. Almost as much may have been sold abroad then as was sold for domestic nonfarm consumption.

The move towards diversification has been a long, slow process. Its importance in reducing business fluctuations has been glimpsed only dimly.

Manufacturing accounted for about one sixth of all employment a century ago. It is over 25 per cent today.

Trade, our next largest employer, accounted for only one eighth of total employment as late as 1909. Services, our third largest employer, accounted for only 10 per cent of all employment a century ago. It is now over 20 per cent.

Government is our fourth largest employer. It accounted for about two per cent of the total a century ago. Government now hires one out

of every seven workers. These major groups provide two thirds of all employment now instead of the single uncertain occupation farming did 150 years ago.

## ***Payrolls can't be paralyzed***

No group outside of manufacturing, trade, services and farming now accounts for as much as 10 per cent of all employment. Employment is so widely dispersed now that it takes a major reversal which affects almost everything to cause serious economic difficulty.

Even the sources of employment are widely diversified within themselves. Manufacturers make everything from military hardware to milady's hat.

A second reason we can look for increased economic stability is the fact that all but one of our major sources of employment now have relatively steady markets. Even agricultural income is relatively steady.

Subsidies probably will be harder to come by in the future. Over the long run, the amount which farmers will get from the taxpayers for not producing, or for producing what is not wanted, will probably decline. So they will try to cut their costs. When they cut their costs by mechanizing, they add to the amount of equipment they buy, and therefore tend to support the rest of the economy. And moonlighting on non-farm jobs is becoming increasingly important.

Manufacturing, of course, has replaced agriculture as the major source of employment. Yet manufacturing and agriculture combined account for only 35 per cent of all jobs.

Consumer markets have grown and diversified. And as income rises, people naturally buy more things. But they don't just buy more of the same things. They buy a greater variety.

This diversification in consumer spending has been increasing faster than incomes have risen. In the last 25 years, the share of the dollar spent for clothing dropped by over 30 per cent. For food, liquor and tobacco the proportion of spending went down about 20 per cent. But the proportion of outlays for domestic transportation rose about 30 per cent; for health, 50 per cent; education, about 50 per cent, and

foreign travel by about 80 per cent.

Because many things now compete for the consumer's dollar, the chance that he will cut his purchases is reduced.

### **More juice in the orange**

The old classroom concept of value was that the first orange might have considerable value to the consumer, but after he had eaten one, the second orange was less enticing, the third orange might be satiating, and fourth one repugnant. This was thought to prove that consumers' desires were limited.

If his income went up his expenditures did not go up proportionately, the theory went, but his savings went up more than proportionately. This could mean that as incomes rose, savings would rise, the proportion of income spent would drop, and soon industry and workers would be out of jobs.

We now know this is false. If you have all the oranges you want, you take in a show or buy a new necktie. Psychological studies show that consumers' appetites increase with feeding.

America differs from most other countries in offering opportunities for increases in income and desires. For centuries in Europe the son of a shoemaker was a shoemaker. But the attitude of families which came to this country was quite different. The son of a cobbler might want to run a shoe factory or a steel mill, or be a professor of anatomy or a lawyer. Aspirations grew with opportunity and expenditures continued to rise as incomes rose.

Even when income drops, many types of spending continue. A general confidence in the future, now widespread, encourages families to try to maintain their standard of living. They may postpone buying a new refrigerator if the expected salary raise doesn't come through, and buy the same cuts of steak and take the same trips. Only if they are sure they will have a lower income in the future, or will not be able to regain their former income, will they begin cutting back on non-durables. So demand tends to hold up through economic slowdowns.

This is very important, because consumer expenditures represent 63 per cent or more of the total value of goods and services produced.

Consumer expenditures have risen every year since 1933. This greatly bolsters the whole economy.

The consumer's almost unwavering support to the economy is being reflected in a more stable rate of industrial activity, too. The final market for all industries, even those producing heavy industrial products for industry itself, is the consumer. If the consumer is not interested, or is not informed through advertising and salesmanship, the output of producer durables—machinery and equipment—has no market. Neither does the manufacturer of such producer durables.

This stability of industrial output is being strengthened by diversity in industry. Diversity has now reached a point where the U. S. Census Bureau reports on over 450

services, it enjoys the benefits of very active competition and greater stability in production.

Because there is now such great choice in buying, trouble in any one area cannot create major difficulty for the economy as a whole.

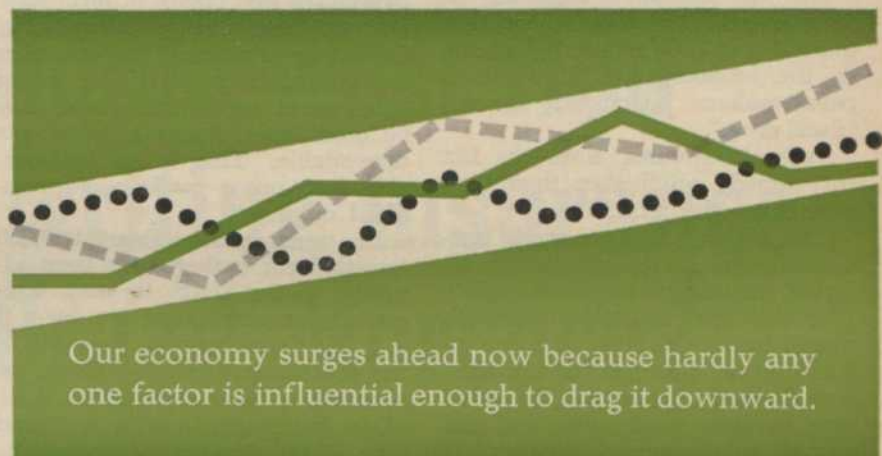
### **Governments help, too**

Government is now a source of economic stability for several reasons.

First, government spending for goods and services now comprises 20 per cent of the economy.

State and local expenditures are rising and will continue to rise, not only absolutely but also as a proportion of the whole economy.

While federal purchases of goods and services have been declining as a proportion of the total economy



different types of manufacturing industries. No one has made a complete count but Census staffers estimate that they report on between 12,000 and 15,000 different types of products, and that the number of distinct items produced now runs in the millions.

This diversity creates wide competition between industries. And it creates competition within industries. High-strength steel competes with low-strength steel. The transistor competes with the tube. New cars compete for sales with used autos. When one industry or product becomes too expensive, or obsolete, another product or industry moves in.

Few things are static. When the economy is powered by nearly 500 distinct industries, and by nearly a thousand specific industries and

since 1958, state and local outlays have been rising as fast or faster than federal expenditures decline. This trend is likely to continue. State and local expenditures do not fluctuate as do federal outlays. They rise a bit more rapidly in some years than in others, but they are generally a stabilizing influence.

We can expect total governmental spending to continue to be 20 per cent or more of the economy.

Equally important, in current terms, is the fact that the Johnson Administration is pledged to keep things booming.

This year's Economic Report puts its finger on the basic cause of cycles—development of imbalances. If investment rises too fast, as it did in 1957; if the money supply shrinks too fast, as in 1930 and

## RECESSIONS

*continued*

1960; or if the tax take is raised sharply when demand is not rising equally, as in 1960, imbalances are created.

The President's Economic Report says: "Prosperity requires achieving and maintaining a balanced advance of demand and productive capacity." That sounds obvious, but it is the first time this has been made a central theme of the Economic Report.

The actions of the federal government in 1959 illustrate how powerful a force for trouble Washington can exert. The federal budget was shifted so drastically it was equivalent to taking about \$24 billion out of the economy in a 15-month period. It was the equivalent of a third of gross retained earnings of all business. It affected the entire economy and forced unemployment up and profits down.

But that mistake is not likely to be repeated. The massive tax cuts in 1964 and 1965 relieved a burden on the economy that the federal policy-makers concluded was a "fiscal drag."

Federal revenues, since the tax cut, already are higher than they were before the cut.

The Federal Reserve made serious mistakes in the past which affected the entire economy. Since 1958, the Fed has not thrown its weight heavily in favor of either inflation or deflation. It has supplied enough credit to enable the economy to grow moderately, but not enough to encourage inflation. It cannot be perfect, but after 50 years of experience it is learning. It is less and less likely, therefore, that the Fed will again create major trouble.

### **Impact of speculation**

Another major force on the business cycle occurs when there is a unanimous or near unanimous decision on the part of businessmen to speculate in one form or another.

The last time this happened was in 1956-57, when we had a tremendous surge in business investment.

If industry as a whole goes on a speculative binge, and the government takes the wrong action, the trouble can be accentuated.

Despite these errors of judgment in 1955-58, consumer, farm and government expenditures rose. While business investment went down by \$11 billion, the rise elsewhere in the economy was such that national

production in 1958 was only 1.5 per cent less than in 1957.

With government buying 20 per cent of what the economy produces, consumer outlays of 63 per cent, and agriculture adding another five per cent, there's a broad, dependable base of nearly 90 per cent of the economy.

The ten per cent or so left is business investment. Much of this investment is stable.

Private residential construction has dropped at times, particularly when the government intervened. But in general the basic housing market today is strong and rising. Household formation is rising. Income available for buying homes is rising. An outlay of about \$26 billion for housing, or nearly four per cent of out total output of goods

and services, seems assured even with the present government controls over savings and loan institutions. This suggests a rather safe outlay covering about 95 per cent of the economy.

So it now takes an overriding outside pressure on the economy to bring a recession. This pressure can come from the government, from the Federal Reserve Board, from industry as a whole if it goes on a speculative spree, or from a real abuse of organized labor's powers.

Mistakes will be made, but they may not have serious impacts on more than about five per cent of the economy.

The problem of the future will be how to support growth—not how to check declines in the economy.

—ROBINSON NEWCOMB

## POLICY CONFLICTS *continued from page 33*

wants farmers to give unemployed Americans first choice of farm jobs. But as Sen. George Murphy of California explains, "Foreign labor has indeed been used—and under government regulations could only be used—when domestic labor was unavailable. This is an indisputable fact, not a partisan or prejudiced opinion."

In recent years, about 200,000 foreign farm workers have been admitted to the U. S. to work temporarily on our farms.

J. E. Countryman, president of the California Packing Corp., is alarmed by what is going on. Like other businessmen with a broad view of the American economy, he sees how government policies cause higher production costs, higher prices to consumers and how the U. S. ability to export is affected—all resulting in an adverse effect on the U. S. balance of payments.

His firm, known as Calpak, produces "Del Monte" foods and is the world's largest fruit and vegetable canner. With operations in 14 states and 10 foreign countries, Calpak sells all over the free world.

While Mr. Countryman thinks his firm can face the problems better than most—because of the company-wide resources and long preparation for the present situation—he is, as he explains it, "concerned because of the obvious plight of the hundreds of small and medium-size farmers whose crops are regularly purchased by us for canning and packaging."

He adds: "We believe these farmers when they tell us that they

cannot continue to grow the present volume of canning crops without realistic Labor Department assistance in obtaining qualified harvest workers." The Labor Department operates the farm labor employment offices and controls the importation of temporary, supplementary, foreign farm workers.

"Our farm worker shortage crisis is nearly nationwide and has far-reaching implications almost impossible to comprehend. A general and widespread shortage of fresh fruits and vegetables will be felt at your grocery with a corresponding rise in prices.

"I'm afraid many farmers won't plant many row crops, cannery workers won't have them to work on, and either you will pay an artificially high price or won't have them to eat."

Affected most importantly by the bracero policy are tomatoes, asparagus, strawberries, lettuce, melons, sugar beets and celery.

Tomatoes illustrate what's involved. The canneries of California estimate they will need 120,000 to 125,000 acres of tomatoes this year. Without bracero help, the state may get only half that much.

Meanwhile, one Mexican state—where several operations have moved—last year sent \$27 million of tomatoes to the U. S. This compares with \$11 million five years ago.

One Californian comments: "It's a hard day indeed when your asparagus patch has a kick-back effect on the whole U. S. balance of payments." **END**

ΑΡΙΘ.

# ΣΑΙΝ ΠΩΛ

## ΦΑΪΡ & ΜΑΡΙΝ ΙΝΣΟΥΡΑΝΣ ΚΟΜΠΑΝΥ

ΑΜΕΡΙΚΑΝΙΚΗ ΠΥΡΑΣΦΑΛΙΣΤΙΚΗ ΕΤΑΙΡΕΙΑ

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because we're so stable (we've been around a century and some). Or because forty years ago we helped to create the American Foreign Insurance Association.

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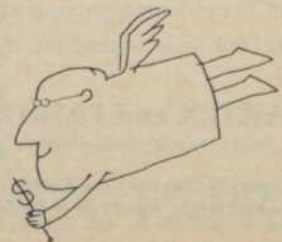
We'd like to write insurance for you, too: personal, business, or life. You don't have to live in far romantic places to take advantage of our stability, creativity, solvency, and All That. Talk to our Agent. (See the Yellow Pages. Talk American, please, unless you're in Morocco or some place.)

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## NEXT BIG TAX CUT

*continued from page 31*

would bring much more saving and investing, thus spurring the economy on to greater prosperity.

President Johnson's campaign against poverty, too, will almost certainly shape his final decisions on the type of tax cutting he will propose.

Rather than simply reducing rates at the end of the income scale, present thinking leans toward raising the minimum deduction a taxpayer can claim.

Today, taxpayers who don't itemize their deductions—low-income taxpayers, especially—can take a standard deduction of 10 per cent. That's limited to \$1,000 at the top and a minimum of \$300 for a single taxpayer, no matter how little he earns.

An increase—\$100 is being talked about—in this minimum deduction would thus aid low-income persons without giving further help to more affluent persons as would, for instance, an increase in the present \$600 exemption for each individual and dependent. The value of the increased minimum deduction fades as an individual's income rises, but the exemption increase applies up and down the line.

Another weapon against poverty that Mr. Johnson could choose, but which is sure to raise a rumpus, would be what's known as negative taxation. That is, if a person's total income fell below a certain point he would collect money from the government instead of paying taxes. Labor leaders indicate they will attempt to wipe out income taxes on all families earning less than \$3,000 a year.

At the upper end of the scale, tax rates are likely to drop as further strides are made toward greater equity and greater incentive to embark on new projects. Business spokesmen believe that top rates should come down so that a person can keep at least half of what he receives. Now, Uncle Sam takes 70 per cent of the biggest taxpayers' top income and leaves them only 30 per cent of the income taxed at top bracket rates. The next tax package, however, isn't likely to reduce this top rate below 65 per cent, it's believed.

### **An option plan?**

A greater lure might be an option scheme similar to the plan proposed by Sen. Russell Long of Louisiana, No. 2 Democrat on the Senate Finance Committee, which handles

taxes in that chamber. Senator Long's idea is to let people with incomes above \$10,000 a year choose to pay at a special low tax rate if they give up the advantages of special tax treatment for certain types of income and deductions of various expenses. A married taxpayer, for instance, would pay 20 per cent on the first \$20,000 of income, 25 per cent on the next \$8,000 and so on up to 50 per cent on income over \$100,000. Treasury experts estimate the scheme would cost Uncle Sam about \$225 million a year in lost revenue.

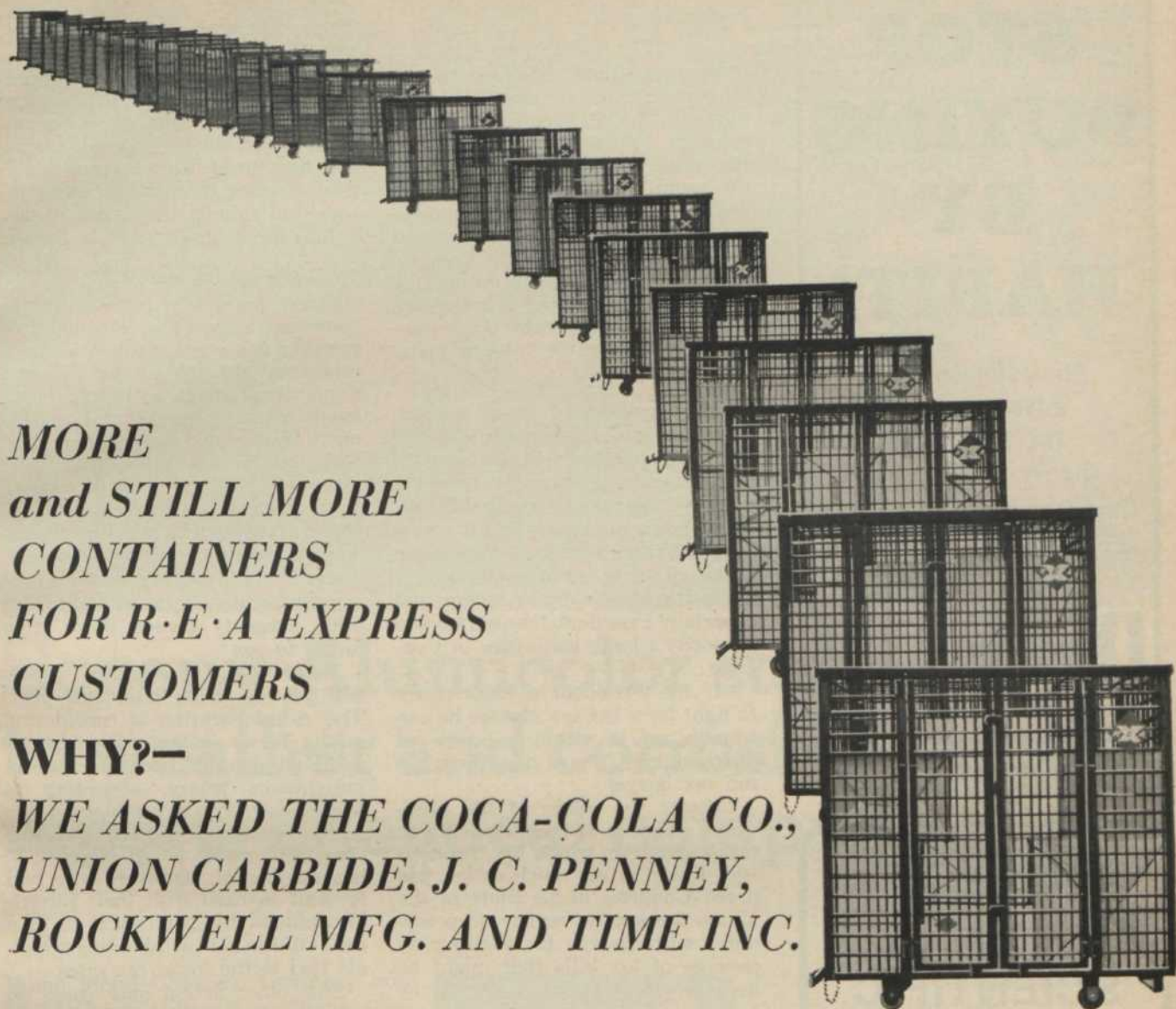
Chief dollars-and-cents beneficiaries would be relatively high-income taxpayers who get the bulk of their income from salaries and are therefore unable to take full advantage of provisions which permit lower tax rates on special types of income. This is known to tax theorists as a step toward "horizontal equity"—similar tax treatment for all who receive the same amount of income, regardless of its source.

One of the principal arguments for the system, however, is that it would be a step toward simplifying the whole procedure of calculating and filing income taxes. Some economists, for instance, argue that the nation isn't making the best use of its talented citizens when its tax system becomes so complicated that some of the country's brightest persons devote so much time to untangling tax provisions for others.

"The reduction in the use of tax-avoidance devices," asserts Senator Long, "would reduce the feeling among many taxpayers that the tax system is inequitable and would minimize the need for, and consequently the incidence of, pleas to extend preferential treatment to new categories of income."

There's always the possibility that simplification, to some, may be another way of saying tax reform. And reform, in turn, has come to mean elimination of certain provisions in the tax laws designed to cope with certain economic problems.

Congress turned down in 1963 and 1964 a number of schemes for eliminating these special tax features. These include proposals for tightening up the capital gains tax (many businessmen, including securities industry leaders, would instead like to see this levy eliminated); ending the present federal exemption on interest income from state and local government bonds; eliminating as deductions personal interest charges such as those on home mortgages and installment credit;



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## NEXT BIG TAX CUT

*continued*

cutting or killing present depletion allowances for oil, gas and other minerals; taxing social security retirement payments, and requiring that home owners count a portion of the rental value of the home they occupy as income. Leading spokesmen for American business assert that if such provisions as these do create problems the way to end the problems is to reduce tax rates generally. This would lessen if not completely eliminate the value of many special provisions.

### Don't discount LBJ

As things look now, such so-called reforms aren't likely to win congressional approval in any new tax package. Seasoned tax politicians warn, however, that when it comes to such changes in tax laws you can never afford to discount the power of the President—any President, and especially President Johnson backed by today's large majorities in Congress.

"If the President decides really to fight for a tax law change he can usually get it within a couple of years at least," says one Washington tax lawyer.

Despite the power of the presidency, there is at least one current tax proposal on which Mr. Johnson isn't likely to get much action. He urged Congress in his State of the Union message to review its procedures with an eye to speeding up passage of tax bills that might be necessary in fighting recession or inflation. Many congressional leaders are traditionally leery of any ideas that seem to reduce their powers over taxation. And this is no exception, even though LBJ worded the request extremely tactfully.

Such men as Chairman Mills, for example, feel that present procedures can produce action as fast as it is possible to get a consensus among members of Congress.

Concentration of tax-cutters' interest on personal income taxes makes the outlook dim for the present, at least, for further reductions in corporation income tax rates. Corporate profits are now taxed at 48 per cent compared with 52 per cent before the 1964 law. There's some talk of reducing the rate to 45 per cent, but most legislative authorities doubt the corporate tax will get much attention.

Strangely enough, however, complete elimination of the corporate tax is gradually getting more sup-

port from economists in a quarter you'd least expect—the liberal left. These economists attack the corporate tax as a levy on consumption—one that is passed from the corporations to consumers in the form of higher prices. Thus, these economists argue, the corporate tax actually hits lower-income groups relatively harder than it hits upper-income individuals, the reverse of prevailing progressive taxation theory.

### More changes to watch

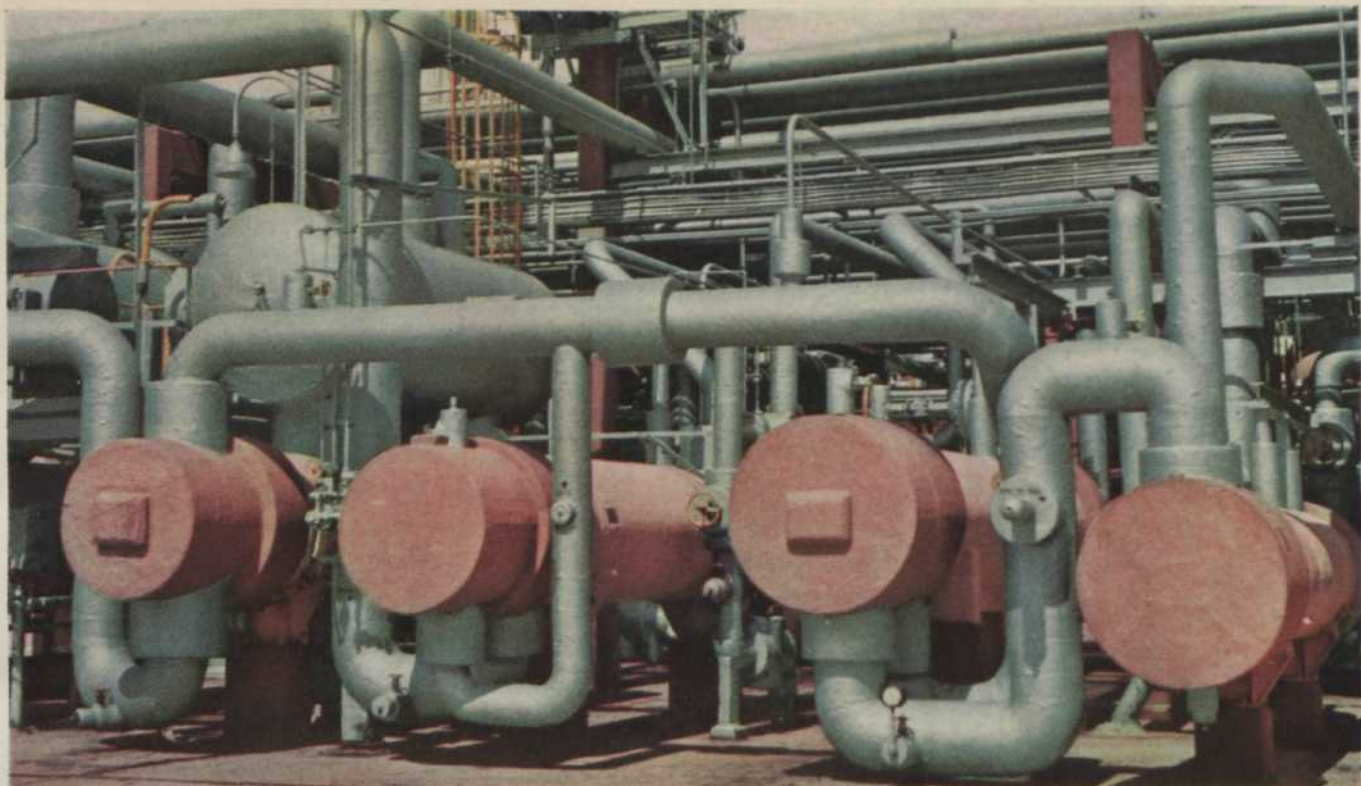
Apart from any package of income tax reductions, sentiment is growing for a new look at federal estate and gift taxes. Some theorists argue these don't yield nearly as much as they should; the government is expected to receive about \$2.7 billion from them this fiscal year. Any study is likely to concentrate on the basic scope and theory of the tax system rather than simply on rate levels. Some Johnson advisers at the Treasury want to levy a capital gains tax on securities and other property passed down from father to son.

Withholding procedures likely will get an airing later this year. The Administration is considering asking for a system of graduated withholding rates tied closer to an individual's salary, according to Mr. Surrey. The pay-as-you-go system is getting special attention this year as a result of an increase in the number of taxpayers who had to send in cash with their income tax returns this past April 15 as a result of the new withholding schedule tied to the lower tax rates.

Still other action may come on the Administration's suggestions for steps designed to encourage more investment here by foreigners. Tax breaks, a presidential task force believes, may bring in extra funds from Europe and elsewhere, thus helping ease the nation's balance of international payments and the resulting outflow of gold.

Whatever happens on these proposals for boosting foreign investment here, though, a major weapon toward easing the nation's international payments troubles would be further tax cuts at home, businessmen make clear. Tax cuts would lower the cost of doing business at home and thus boost the competitiveness of U. S. firms selling abroad.

"The balance-of-payments problem will play a major part along with many other economic indicators in our consideration of the next income tax change," promises an influential congressman. **END**



# Socony Alumaticolor stands up to weather and corrosive fumes, reports chemical company

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# WORLD BUSINESS: WHAT TO EXPECT

Special quarterly report  
for Nation's Business by  
the respected Economist  
Intelligence Unit, London

## New policies open Mexican markets

United States investment in Mexico's booming economy should top all records in 1965.

A combination of steady growth and active government encouragement of outside investment backs up this prediction. It's also the estimate of Alliance for Progress experts.

You now see the latest stage in the change of attitudes by the ruling Party of Revolutionary Institutions, once the terror of "Yanqui" investors during the expropriating '30's. It

reflects as well the changing attitude of American businessmen. Some once regarded Mexico as a private colonial preserve. Both sides now see U. S. investment as partnership rather than exploitation in a storied land of 47 million.

The new Diaz Ordaz administration is expected to announce a further six-year development plan before the year's end. Details aren't yet available, but it seems certain that the over-all target will be six per cent annual growth in goods and services produced. Since the target of the last development plan—which ended in 1964—was exceeded, chances are good that gross na-

tional product (GNP) will reach more than \$10 billion by 1970.

United States finance, investment and trade will play an important part in this growth. U. S. investors last year poured \$105 million into the Mexican automotive industry alone.

U. S. exporters, too, will benefit from the development-mindedness of the new Mexican administration. Imports increased by about 20 per cent in 1964. The United States retained its share of the market—almost 70 per cent.

These imports show the drive for modernization in industry. And not only among big companies. Opportunities are excellent for exporting machinery and equipment to medium and small firms.

Note: Mexico now ranks fifth among foreign customers for U. S. exports.

*Climate for U. S. investment in Mexico's surging economy brightens as Mexicans spur development. Below, a Celanese plant at Ocotlan.*



## How Britain's surcharge will hit U. S. business

Impact of Britain's surcharge on imports may be less this year than first feared. At the same time, anyone looking for a repeat of 1964's larger-than-ordinary U. S. sales to Britain is bound to be disappointed.

The squeeze is real, and it's still on.

Initial effect of the surcharge is almost impossible to analyze accurately. The East Coast dock strike, following closely on the surcharge, threw a wrench into predic-

tion machinery. Even before the strike, British imports of U. S. goods were down from \$196 million in pre-surge October to \$156.8 million in January. February's tiny \$72.8 million in United States sales to Britain clearly reflected the strike. With longshoremen back on the job, the surcharge's effects will be easier to assess.

Despite political criticism, the surcharge could be a potent weapon. The Labor government means business and the surcharge, at its present level, could stay in effect at least into the fall. However, if things start to look up, further reduction is possible.

Generally, the impact is likely to be less on capital goods than on consumer products. Consumer-goods stocks can, if necessary, be run down. Even so, the combination of the surcharge and the generally lower level of capital investment expected this year will mean a fall-off of U. S. sales of electrical machinery (a near-record \$325.4 million in 1964) and nonelectrical plant such as machine tools and textile machinery (\$140 million last year).

Most likely to suffer are tobacco (\$117.6 million in 1964), chemicals (\$37.8 million) and textile yarns and fabrics, mainly synthetic (\$38.4 million).

Outlook: American exporters can expect to do \$1.5 billion in business with Britain in '65—15 per cent below last year's level.

## Good news from Brazil: Stability's coming

You can once again start thinking of the Brazilian market without shuddering.

After the political razzle-dazzle and gale-force inflation that threatened, just over a year ago, to leave the country in permanent receivership, a new management is back on something approaching normal.

Political passions have cooled, and the Castelo Branco government

has restored a fair measure of confidence. The International Monetary Fund also has extended a needed hand.

Of more immediate interest to exporters are a number of specific external aid steps. The World Bank is confidently expected to come up with a loan for transport and power equipment. From the United States has come further assistance under Public Law 480 and the Food for Peace plan, and \$150 million in AID loans to be spent in the United States.

## What's really happening in German boom

Like reports of Mark Twain's death, repeated obituaries on Germany's boom have been greatly exaggerated. Far from being played out, the German economy today offers even greater opportunities for foreign businessmen to cut themselves in.

Imports in the June quarter of 1964 were seven per cent higher than the preceding year. By the September quarter, 11 per cent. The figure rose to 24 per cent in the December quarter. The trend continues, embracing both capital equipment and consumer goods. A December-quarter rise of U. S. purchases by nearly a third bodes well for still further expansion.

German industry is producing at the limit of its capacity and jobs are going begging for lack of men—normally classic ingredients for a wage-price spiral.

But Germans twice in a lifetime have seen their currency reduced to wastepaper by inflation and, with pay envelopes already fat, it has taken little more than a reminder of the past to make them hold the line on wages and profit margins.

Germany has turned to imports to fill a gap in home supplies rather than cut back on exports to markets that, once lost, might be far harder to regain.

At the same time, industry is spending heavily at home and



BLACK STAR

*Italian workers head for Germany to take jobs in manpower-short plants.*

abroad to increase capacity and reduce the need for scarce manpower.

## Spain's trade door swings wider ajar

More and more, Spain looks like the best bet for Europe's next economic miracle. With important new liberalizing moves on Madrid's part, the way is open for a greatly increased U. S. share in Iberian expansion.

Real growth in gross national product has averaged around six per cent a year since 1960. The 1964-67 development plan aims to keep expansion rolling at this rate.

Madrid sees massive investment as the key to success in the growth race. Up to the end of 1967, capital outlays, including stock charges, are slated to grow at an average nine per cent a year, and at comparable rates thereafter.

No one pretends that this can be achieved solely out of Spanish resources. The result: Once-discouraging official attitudes toward foreign investment have become much more welcoming.

Big changes have come in two

ways. First, foreign participation has been opened up well beyond the inhibiting 25 per cent limit, a serious barrier earlier. Now there can be more effective control of operations by American investors, with up to 100 per cent holdings in some cases. Second, the range of industries open to foreign participation has been widened to include all key sectors.

U. S. capital has not been slow to move. Currently the United States, with about 27 per cent of the total, holds the biggest foreign investment stake in Spain. Most attractive markets continue to be engineering and chemicals, while the biggest growth seems to come in petrochemicals as a major oil refinery building program pushes ahead.

Only question mark for the long term: uncertainty about what happens when General Franco retires.

## Shift to metric system could isolate U. S.

One aspect of traditional British insularity may soon become a casualty in the face of commercial pressure: the time-honored British inch. The prestigious Federation of British Industries has come out for a switch to the metric system.

The argument is powerful and simple:

Most world markets have officially adopted the metric system. Continued use of feet, inches and fractions puts British industry at a disadvantage in selling abroad. The same goes for American industry. It isn't enough to say that a slide rule or conversion table will solve the problem. It isn't that easy in precision engineering.

When it comes to such things as incompatible screw threads the only answer for the buyer is to keep duplicate sets of spares and tools. This is inconvenient and costs money. And world competition, especially in machinery sales, is such that few manufacturers can afford to say, "If you want our products,

you take our standards." Too often a simple difference in systems of measurement can mean the difference between sale and no sale.

No one knows this better than the British manufacturer. Many, especially in the machinery field, already produce to both sets of measurements to safeguard export markets. The added expense is as much a problem for Britain as for its customers. So it isn't surprising that a majority of British manufacturers now favor a unified metric system.

Clearly British industry isn't going to change overnight, but change looks unavoidable. When it comes American business will be the odd man out. Worth thinking about.

## Despite Sukarno Malaysia still beckons

One of the world's political hot spots, Malaysia still has the confidence of world business. U. S. participation in its expanding economy is limited, but opportunities there are attractive.

Malaysia's economic expansion has continued in spite of aggression by Dr. Sukarno's Indonesia, her unfriendly neighbor to the south.

There have been restrictions, such as the tax-raising budget for 1965, but the small industrial sector has grown faster than ever before, and foreign confidence is demonstrated by many joint-venture projects now being undertaken.

Such ventures, much preferred to pure foreign investment, are being actively encouraged. Pioneer-industry status is readily granted, with its consequent five-year tax holiday and tariff reductions, and the repatriation of profits is free and easy.

Even Singapore, which has borne the economic brunt of Indonesian confrontation (trade down over 20 per cent), can point to the booming new industrial estate of Jurong. The switch from trade to industry, already begun, has been given that extra boost and sense of urgency by Sukarno.

Obviously a full-scale war would disrupt the Malaysian economy, but this now seems unlikely.

This may be difficult. But the Japanese, for one, are confident of Malaysia's future. In many areas, from sugar refining to car assembly, they are taking the lead. Increased trade has accompanied investment.

Currently U. S. trade is comparatively low, with the balance heavily in Malaysia's favor. A U. S. switch to Indonesian low-grade rubber during 1964—regarded as near-treachery by democratic Malaysia—has contributed to a decline.

For the period January to October, U. S. imports from Malaysia amounted to \$132 million, with exports at \$64 million. Malaysia's total imports have grown by six per cent per year during the past few years. The U. S., however, has not shared in this growth. Without a more active American effort this pattern is likely to extend into the future.

END

*Malaysian tin mine symbolizes that country's growing industrial vigor.*

PIX



wanted to talk to them about insurance. Well, they started in at me—and this was from 2:15 in the afternoon until 5:30—and they told me how much of a jerk I was to have the nerve to try to sell insurance to friends.

By the time I went back to my office, I was convinced I was in the wrong business.

But I'll tell you what that did for me. It made me vow that I would never attempt to sell another policy to a friend or a relative.

**MR. BORSELLA:** I went through the same thing.

After my first two weeks I was ready to quit. But I stopped and said, "What have I got here? Let me get behind this thing and start going."



**Antin:** Mutual funds



**Ashton:** Life insurance



**Borsella:** Drugs



**Gill:** Office machines



**Kyle:** Boats, yachts



**Piratzky:** Controls



**Potter:** Paper products



**Schiff:** Moderator

## Winning over the customer

**DR. SCHIFF:** Let's look at the customer now. What have you learned about people generally that has helped you to sell more effectively?

**MR. ASHTON:** I think one of the most important things for a salesman to learn is not to give the customer a chance to say "No." Because once he says "No," to make him change that "No" to a "Yes" he has to do a complete about-face. The customer has to admit that he was wrong to say "No" in the first place. People hate to admit they were wrong.

If I think a customer is going to delay the decision to buy, I try to put those words in his mouth. Because if he says "No" one time, I'm finished.

Either a person is a prospect or not. Don't sit on china eggs. You get to know when you are talking to

him whether there is a real possibility there, and if it looks like a long-range proposition, call him six months later and say, "I haven't spoken to you in two years." You may be surprised at the welcome-home you get.

**MR. ANTIN:** A very interesting thing comes up in the mutual funds business. People like to talk about money. This makes it a glamorous field. We talk about money, not a product.

I agree. People don't like to say "No," and you try not to give them a chance to say "No." Never give a prospect a choice of something or nothing. Give him a choice of something or something. That precludes "No's."

The more you get a man talking, the more he will participate in your presentation. The more you can

learn about his fears, his thoughts, his goals, what he wants, the easier your job will be.

**DR. SCHIFF:** People like to talk?

**MR. ANTIN:** They love to talk, and they love to talk about money.

**MR. PIRATZKY:** I would expand on that. Basically they like to talk about themselves, not only about money. In the equipment industry we do a lot of selling to engineers. The easiest way to make a sale is to introduce yourself, throw a few questions at the engineer, lead him in the right direction, and from there on he takes over.

**DR. SCHIFF:** In other words, the good salesman is a good listener?

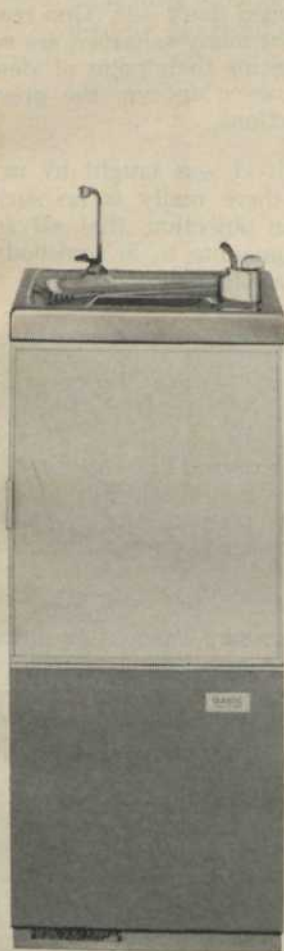
**MR. KYLE:** I agree wholeheartedly. I have an advantage in that boating is the hobby of most of the people I see. I have found that people love to talk about their hobby.

I have learned that the less I say, the more my customers say. In many instances my customers will talk themselves into a purchase. Let them talk and they'll often knock down their own objections to something in the merchandise that they don't like.

**MR. GILL:** I don't care whether a

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fellow is a janitor, an elevator operator, or the president of a company. Every man and woman is entitled to respect as a human being. Once you learn to live and work that way, people sense it. They are a lot freer with you. They will give you ideas which you, in turn, can incorporate in your own sales presentation.

**MR. POTTER:** Speaking at the customer's level—this is terribly important.

We sell a food service system. We may be talking to a dietitian or a food service director or concessionaire, or whatever. But the ultimate user of one of our machines, which is semiautomatic, is that poor guy down in the kitchen who is cleaning spuds. You have to get your message across to him, because without his support he can throw your whole program out of whack—beyond competition, price, and other considerations.

With the food service director, you use all the other restraints that

were mentioned—putting across your program without really selling it.

You more or less merchandise to enlighten them, and then they will come along and suggest, along with your program, how they can implement a system.

Rapport like this can be invaluable.

We can't afford to make a sale that does not culminate in a volume piece of business for a long period of time.

**DR. SCHIFF:** Do most people know they are being sold?

**MR. ANTIN:** The first thing you want to let them know is that you are trying to sell them something. You can't sneak up on people. If they get a second thought later on, there is resentment. "This guy is trying to put something over on me," they'll say.

**MR. PIRATZKY:** If you sell them something which turns out to be an

excellent value, and it can be an insurance policy, a piece of equipment or what-not, it is also a feather in their cap. This is worth remembering, too.

**MR. ASHTON:** People want to deal with success. It's a question of pride. You always talk about, "Well, my insurance agent is this," or "My mutual fund representative does this," or "My car salesman does that." You want others to think that the salesman you deal with is the best.

**MR. KYLE:** At a sales course I attended we discussed reasons why some salesmen don't sell. One reason was that many salesmen are so busy presenting their point of view that they never uncover the prospect's objections.

**MR. GILL:** I was taught by my boss that there really is no such thing as an objection, that all an objection amounts to is somebody asking for another reason to buy.

## How sales job is changing

Mr. Antin



Mr. Ashton



Mr. Borsella



Mr. Gill



Mr. Kyle



Mr. Piratzky



Mr. Potter



Dr. Schiff



**DR. SCHIFF:** Let me shift from the customer to the sales job. Has the role of the salesman changed over the past five years?

**MR. POTTER:** One of the early criticisms of the salesman was that he was an expense-account operator. The expense-account salesman is a thing of the past. Not only sales cost versus sales volume has brought this about but the fact is that selling today involves the more valuable time of the prospect as well as your own.

The salesman today is a more knowledgeable individual, too, going right back to the computer and other machines. Knowledgeable people are required to operate them, understand them, program them.

So the salesman today doesn't have a lot of samples he can lay out, a lot of expense account lunches or showmanship angles he can rely on.

He really has to make his time count and really get his story across. Also, he has to go back often to his own people and solve the problems of a customer and then go back to get the order. Salesmanship is becoming more and more a profession.

**MR. PIRATZKY:** Take the past five years in the technical field. Technology—new products—has reached such a high level that if the salesman is not better educated than he was five years ago, he couldn't possibly sell anybody who is knowledgeable in a technical field.

**MR. BORSELLA:** Technical progress in the drug field has made greater education and knowledge requisite. If you don't have the knowledge, you just can't sell.

Some of the techniques that we are using now weren't in use a few years ago. Such as visual aids. A fantastic amount of visual aids are used now. Before it was strictly conversation, a set pattern of what you told the physician.

**MR. KYLE:** Nowadays, with an expanding economy, more products, more money, more free time, the boat business is booming. Twenty years ago it was nothing.

**MR. PIRATZKY:** Sales competition is much keener now than it was

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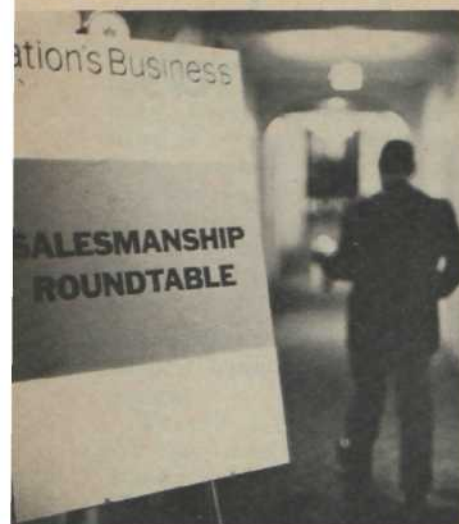
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Piratzky: Controls



Potter: Paper products



Schiff: Moderator

only a few years ago. The one big thing that most companies have to sell today is service, more so than a product. The information-type service, the maintenance-type service that you can offer your customers.

**DR. SCHIFF:** Does this make the salesman more important?

**MR. PIRATZKY:** Definitely.

**DR. SCHIFF:** How about the successful salesman five to 10 years from now? How is he going to differ from his counterpart of today?

**MR. ASHTON:** Well, in insurance I believe we'll see salesmen talking more about benefits and less about

the total cost of a policy. There will be more selling of benefits of all kinds.

**DR. SCHIFF:** How about the market place? Do you see many changes coming there, aside from advances in products?

**MR. BORSELLA:** There is no doubt that the economy generally and the market place will be expanded constantly because of the research efforts of all our companies. However, from what I can see right now, I think the salesman will be increasingly sophisticated in the way he operates. Our typical salesman has 600 physicians he calls on, and he will know everything about the

physician that it is necessary to know. We have a computer system set up so that our people know about the character traits of the physician, what his likes are, his dislikes, just about everything.

**MR. PIRATZKY:** In five or ten years, because of increased competition, you are going to find it much more a buyer's market than it is today.

**MR. ASHTON:** In the future it is going to be an absolute necessity to have every educational degree possible, because the people you are going to be talking to will be better educated and will want to deal with better educated salesmen.

## Breaking down sales barriers

**DR. SCHIFF:** Let's talk about some actual selling situations. Some salesmen say handling objections is the most difficult part of a sales call, and we have had some reference to objections. Others say it is the close. What is your feeling?

**MR. ANTIN:** The toughest prospect is the one who sits there and doesn't say anything. You need objections.

**MR. ASHTON:** Beware of the buy-

er who smiles and says hello to you and nothing else.

**DR. SCHIFF:** Closing then, or getting the action that you want, is really the crucial task?

**MR. BORSELLA:** I would say yes to that.

**MR. GILL:** In the business machines field I have had the good fortune to close on an approach.

**MR. BORSELLA:** There is no

specific time to close. You never know when you are going to close.

**MR. ASHTON:** When you can close, close and get out. That's my advice.

**DR. SCHIFF:** Who are your most difficult prospects?

**MR. KYLE:** In my business it's the man who has never owned a boat or a yacht. You have to think the entire situation through for him, and you have to have an idea of his family life, of his background, and you have to be able to convince him that he should own a certain type of boat.

For example, a man comes in with his wife, who is dressed in mink from head to toe. He has never been on a boat in his life, but he says he wants to look at large sailboats. He may never buy a boat. He may just waste your time. If you can take that same man, with the wife with the mink coat and the high heels, and show them not what

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he thinks he wants in the way of a sailboat, but instead a large, luxurious power cruiser, get his wife on board and show her the conveniences and where she can hang her mink coat—so it won't get wet—you have got a sale.

**MR. PIRATZKY:** Probably the most difficult challenge in the technical field is trying to make a sale to a customer who has used your competitor's equipment for years with tremendous success. He has a salesman calling on him who has built up a personal relationship with the engineering purchasing staff, who has given them good service, good follow-up. It is mighty tough to crack a place like that.

The only thing you can do is make repeated calls and look for an

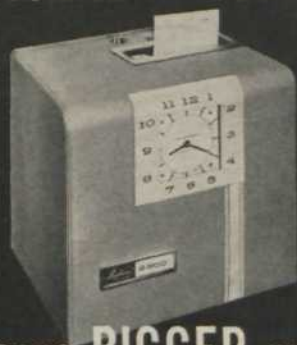
satisfied with what he already has.

**MR. GILL:** When we run across places that have big competitive installations, we try to convince the prospect to buy at least one piece of equipment from us. We try to sell him on the basis of a little insurance—that if our competition knows there is one of ours in here, they will service your account a little better. It works.

**MR. POTTER:** You've got to use samples of your product with discretion and tact. You can do this as sort of a sampling program on the basis of which there is a little marketing research; then you go to that store and actually witness the movement of the competitor's product against your product, the display of his product against your



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opening and maybe give him some information to help him. He might feel indebted and buy some of your equipment and in this way you can work him up to something big.

**MR. BORSELLA:** You took the words out of my mouth. In the drug field, there are many things that are exactly alike, the only difference may be the color of the tablet. How do you go into a physician and ask him to write up your product when he's already happy with another one?

I had this problem a week ago. The doctor said, "Don't even tell me about it. I'm using X product and I am perfectly satisfied with it."

You don't want to offend him, so you have to start backing off and think, "I'll let this point go for the time being, but now at least I know what he likes, so I will approach it from a different angle the next time."

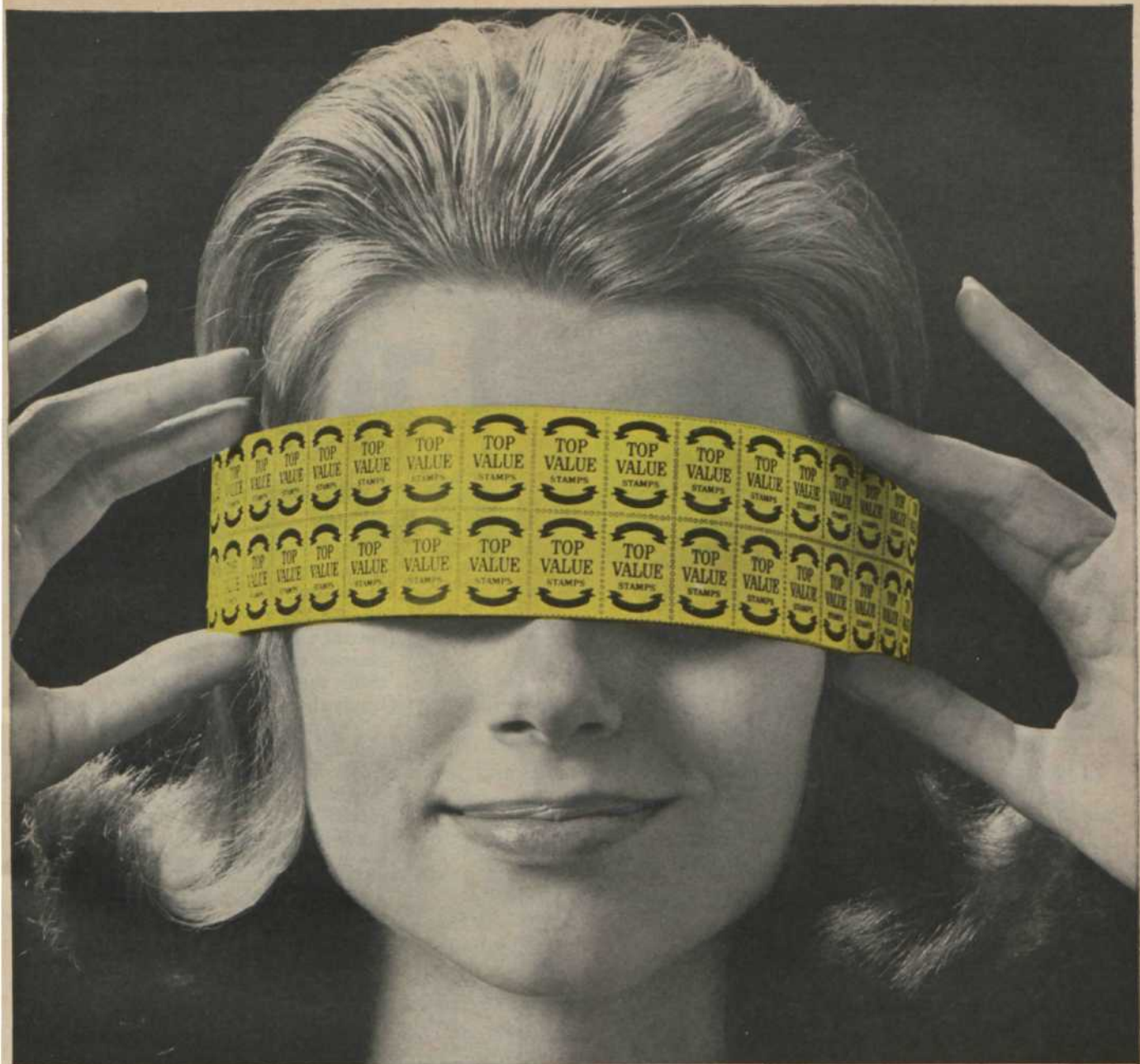
But this is the biggest problem, getting a guy to listen to you who is

product. Then you come in with a planned program, a presentation that is all-encompassing, everything from where your warehouse is in relation to their warehouse, and where your product will outsell another product, and so forth.

**MR. ASHTON:** What about this business of bringing another salesman along to help you sell?

**MR. PIRATZKY:** It can be a real help, especially in a technical field where the company has a group known as application engineers—specialists in a particular field. Such a customer may have some tough questions. Even though you are competent in answering them, you say, "I would like to bring the engineer down from the factory." This is going to make the customer happy.

**DR. SCHIFF:** Is there an obstacle in selling which you feel stands in the way of greater personal achieve-



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through trade and professional associations

ment? If you could get rid of something what would it be?

MR. KYLE: Competition.

DR. SCHIFF: Next suggestion.

MR. POTTER: The purchasing agent. Fortunately, many purchasing agents are becoming more and more generalized, rather than just sitting there on a throne.

If you are selling to a hospital, you have got to reach the dietitian. You have to get to the food service director. You have to get to kitchen management. This is important.

If you are talking time and motion, the purchasing man doesn't know this sort of thing, and he holds the opinion of the others as being very important. But you have to get by him and you have got to establish routes and avenues to get by him.

MR. ANTIN: It would be easy for me to get the impression that I am in a very tough business, because all we deal with are purchasing agents, and this is the toughest class of client we have. People who think they know more about mutual funds than we do.

The mutual fund industry is a growth business, because in the entire country there are fewer than five million people who own mutual funds.

Along with this, we like to feel we are in the most tightly regulated industry. We work in a fish bowl—full disclosure. There are no hidden charges. We must sell our charges.

What all of this adds up to, time after time, is that when you get into someone's home, they know more about the business of investing money than you ever will know. This is our toughest kind of prospect.

DR. SCHIFF: So you're in favor of competition?

MR. ANTIN: That's right. We need more exposure to people. More salesmen at work in our field. We are still not completely national as an industry.

MR. GILL: A big headache, I think, is the fact that many people are not willing to take advantage of the services or the knowledge that a salesman has. I'm that way myself.

I go into an auto agency. Like a real wise guy, I have read all about the car in a magazine, and I've gone out and bought a book that tells me this is the cost and this is the selling price. I've gone in to strike my own deal, only to find out—about seven or eight months later—that had I gone in and put

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myself in the hands of a good salesman, he could have put a couple of little features on that car that would have saved my neck a couple of times.

If more people would listen to salesmen, a better grade of merchandise would be sold and we would all be in better hands.

**DR. SCHIFF:** Then a major obstacle is the feeling on the part of customers that a salesman can't be trusted?

**MR. GILL:** Yes, I think that's a rather general problem.

**MR. ASHTON:** You don't hear about the good salesmen, but you do hear about the bad ones.

**MR. KYLE:** I agree.

There is one word that I despise, and it is "discount." A salesman in my business who sells something at discount when he does not need to is using a crutch and he is going to ruin it for everybody else.

I think the public knows that a

salesman lives on commission, and I think they are more than willing to pay it for services rendered.

**MR. ASHTON:** Years ago I got up to the first person who asked me about a rebate. He didn't say "rebate," but "return of commissions." I said, "You mean give you back some of my salary."

An awfully good salesman once told me, "Don't ever start it because if you do it once, then you must do it with everybody, and then you are out of business."

## How to stretch your time

**DR. SCHIFF:** Effective use of time is frequently mentioned as a problem for salesmen. How do you budget your time?

**MR. BORSELLA:** My day is just about my own, just like everyone else here. But for the past couple of years we have been experimenting, I have personally, in using every minute of the day effectively. Recently our company adopted a plan which many men in our firm had been using. We call it a "plan in action."

We know exactly where we are going on a particular day, and we allocate a reasonable amount of time for each call, because there are too many unknowns. When you go into a doctor's office, many times you get stuck for an hour or more.

First we schedule the call, then we plan it. So we know exactly where we are going that particular day, whom we are going to see, and what we are going to say. By the time the day is over, you have accomplished enough to get some satisfaction out of that particular day. The program is actually in book form.

**DR. SCHIFF:** How many hours a day do you fellows work?

**MR. BORSELLA:** On territory, out on the road, I average between seven and a half and eight. Home another three. It varies from night to night in medical selling.

**MR. GILL:** I try to spend as much time as possible each day in

front of prospects. Sometimes that might be two hours, sometimes eight.

We have a tremendous problem of keeping abreast of technical changes and advances in our business. Unfortunately, I can't sit in the office all day reading about them or I wouldn't be able to call on people.

We have attempted to overcome this by assigning different men to report on the technical changes. Each morning a man puts on a program for a half hour. It is up to him to read a paper, digest it and try to put it across to us in a compact form.

The day I stop studying, I feel that I have lost a job with National Cash Register and I'll have to turn to something else.

**MR. PIRATZKY:** Speaking for the Bristol Co., I think seminars and conferences are becoming more and more important to the technical field generally.

**MR. GILL:** We have reached the point where we put some of these brush-up programs on tape. Frankly, it is quite a job to get 70 or 80 men together for a half hour on a given day. Those who can make it, fine. Those who cannot make it on Monday play the tape later. This keeps them up to date.

**MR. PIRATZKY:** Our company has several methods for doing that. Each district has a sales meeting once a month, at which each new project or development is explained.

Every two years there is a re-training program. Six people are brought in from the field, for a week's schooling. This is done to keep current with change.

**MR. ASHTON:** When I was 45, I said I would work four days a week. When I was 50, three days, and 55 two days, and 60 one day. And I have been adhering to that. Of course, my days start at 8:30 in the morning and the light is still burn-



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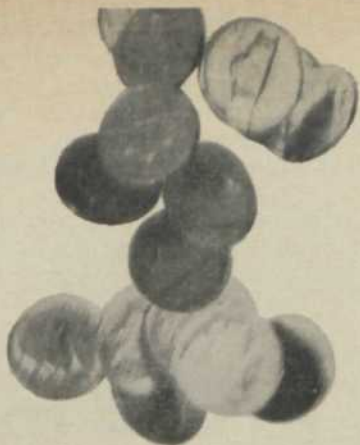
Piratzky: Auto. controls



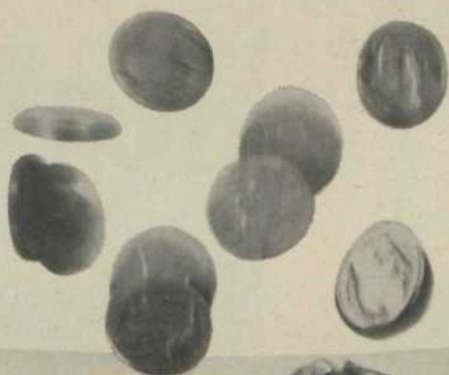
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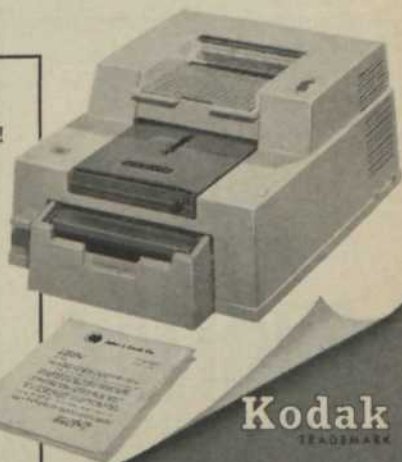
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ing at nine o'clock in the evening. I am limiting myself to those four days a week now and I refuse to work any more.

I don't mind the hours that I put in.

If a client wants to see you at night or in the morning, do it. I

limit my days because I feel this is what I owe my family.

**MR. PIRATZKY:** I would say the minimum time for a salesman is at least ten hours per day.

**MR. ASHTON:** If he is going to be a success.

## Proud moments in selling



**DR. SCHIFF:** Let me ask a related question. What was the proudest moment in your sales career?

**MR. GILL:** My next, and I am perfectly serious about that.

**MR. ASHTON:** I would say I had a couple. One of them was when I signed up a congressman for an insurance policy, him and his wife. The man's business, when he is not in Washington, is selling insurance, and I sold him a policy on his life. I was extremely proud of that one.

I might say that last week marked a proud day, too. The culmination of a year's effort. The board of directors of a particular corporation met and said, "Okay, we will do it, in line with Mr. Ashton's recommendation," and that recommendation was two quarter-million-dollar policies and a million-dollar policy on three key executives.

**MR. ANTIN:** I think my proudest moment was the first time I sat down with a stranger, with a pad and a pencil, and created a program for him, and he wrote a check. My first sale. I've never topped that moment.

**MR. BORSELLA:** I have been able to train nine men in the pharmaceutical industry in our area. I'm extremely proud of that.

**DR. SCHIFF:** Over and above your duties as a salesman?

**MR. BORSELLA:** Right. This is extra duty. It gives me added satisfaction to help other men become good at selling.

**MR. PIRATZKY:** The biggest satisfaction I received was shortly after I joined the Bristol Co. I was new in sales and I walked into a rather large account who bought a competitor's equipment exclusively. Nobody else even had a chance to quote on it. Within eight months they were buying our equipment exclusively and everybody else was excluded. An awful lot of self-satisfaction was gotten out of that. It was hard work, but it paid off.

**MR. KYLE:** My greatest moment in sales was about six months ago, when I sold an old customer of mine his third boat in four years. He was ill at the time, and he ordered over the phone and said, "Let's not worry about the details. Just treat me the way you treated me on the other two."

**DR. SCHIFF:** Let's shift gears again. This might be a little touchy. How would you describe the ideal sales manager?

**MR. PIRATZKY:** One who hires people he has faith and trust in and



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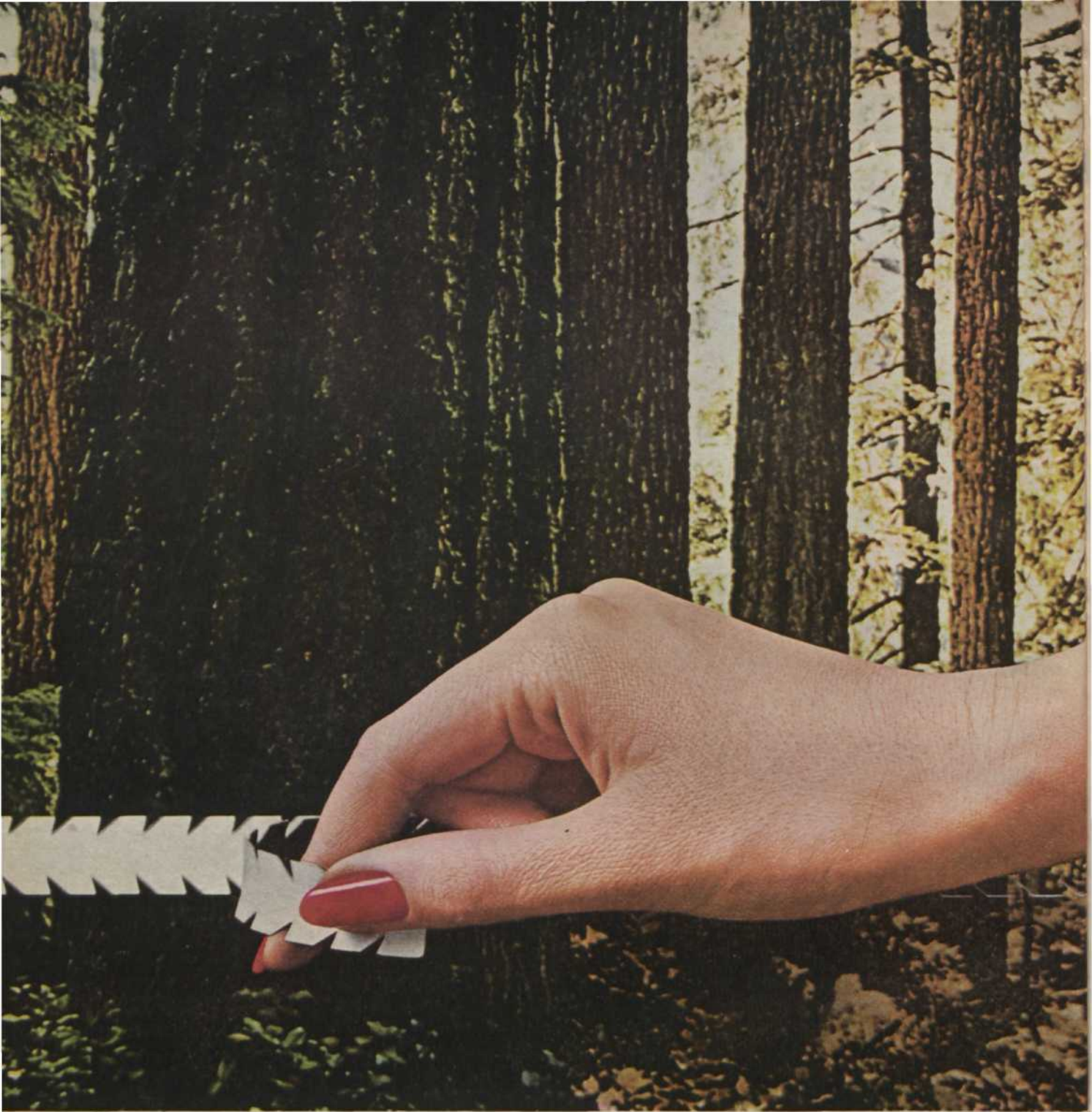


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## HOW TO SELL NOW

leaves them on their own, making it known that he is always available for help either with the customer or with the go-between to the factory.

**MR. KYLE:** I think the ideal sales manager is one who is actually selling himself, so that he knows the problems that his men are encountering.

**MR. PIRATZKY:** I don't agree with that. I don't feel a sales manager could do a good managing job while still handling his own accounts.

**MR. BORSELLA:** In the drug field there are sales managers, district managers, whatever you want to call them, who might have 10 men under their wing. They also have anywhere from 50 to 60 doctors under their wing, so that they keep their hands in, know exactly what is going on, and yet are able to manage their men. As a matter of fact, it is usually a little less than 10 men they manage, so that they can manage and actively participate, too.

**MR. PIRATZKY:** There are a lot of ways for a manager to keep current even with the accounts that the salesmen control. I am sure he doesn't want to get involved with the \$50 a-month account; he is only interested in the large accounts, but there is no reason why he can't keep current by making calls with the salesman and discussing the account with him.

He just doesn't physically have time to handle his own accounts and still manage.

**MR. ASHTON:** If a man is selling and also managing, aren't his men likely to wonder, "This guy is taking the cream and giving me leftovers"?

**MR. KYLE:** Well, we have about 18 salesmen at Northrop and Johnson. Our sales manager is the most qualified man in the firm for his job. By selling and by keeping his hand in, he creates more business for the firm; and he, in turn, does not hold that for himself, but distributes it. He generates more business for everyone in the organization.

**MR. GILL:** I think a good sales manager is a man who helps and guides his men, who should be used for entree when a salesman has a difficult time getting in. Yet I don't see how a man can sell and manage at the same time.

**MR. POTTER:** I believe a good sales manager is market-oriented as well as sales-oriented. He can talk in other than the first person in reporting the progress of his men



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and delegate challenges to his men on a day-to-day basis.

**MR. ANTIN:** I don't know if I should comment. I guess I'm a sales manager. I have, working directly in my area of responsibility, some 250 registered representatives or salesmen.

**DR. SCHIFF:** And you are also a salesman yourself?

**MR. ANTIN:** I'm a very good salesman. Any salesman who doesn't think he is a good salesman will never be one.

But there is a different point here. I don't think a sales manager should go into direct selling. He should keep himself abreast of conditions in his field, naturally. He must keep pace with developments either through personal experience through selling, which I frown on—he shouldn't have time for this, incidentally—or through just reading and keeping up with the problems.

But Mr. Piratzky raised an interesting point when he said a good sales manager is one who hires capable salesmen and then leaves them alone. How do you know a man is a capable salesman?

I maintain that there is no such thing as a test which will determine if a man will be or will not be a good salesman. A man's enthusiasm, his industry, his attitude, are what will determine this.

You have to expose the man to the actual selling problems. He has to find out whether he can sell or not. He has to find out if he likes the field. It takes time.

My feeling is that a good sales manager is one who, once the man gets by the training period—and ours is rather extensive—sees that he gets off the ground. You have got to be a father confessor. You have got to listen to his problems.

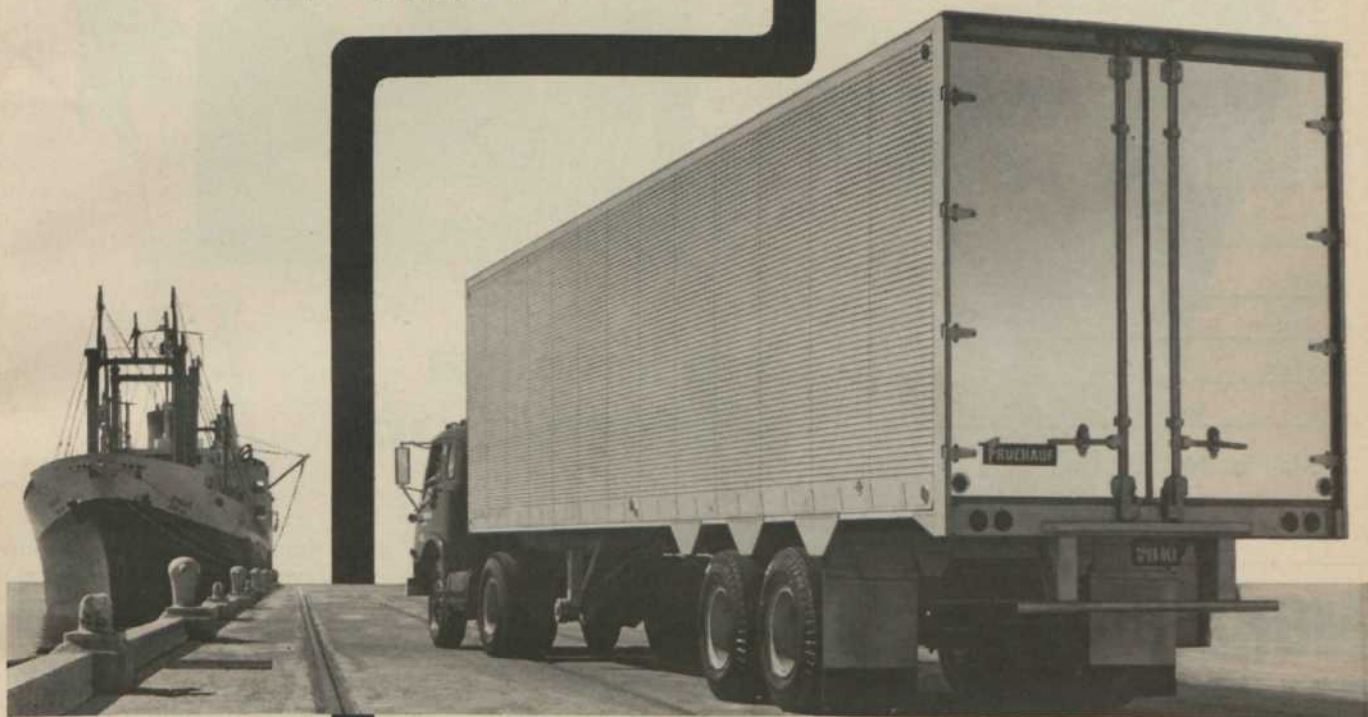
If necessary, you must go out with him, which I try not to do. But you have got to be available because there are no two situations alike. You could have twin brothers married to twin sisters, working together in the same factory, making the same money and living in the same house, and one will be in debt and one will be saving money.

The manager's function is to be a focal point for the salesman, for his problems, his glories, too, and his triumphs. He has to pat his men on the back.

**MR. ASHTON:** My idea of a good general agent is one who will take an insurance salesman, give of all his knowledge, and then make himself available to that man.

I have a general agent who is like

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## HOW TO SELL NOW

this. When I want him, he is there. If I want to test out an idea I walk in and say, "Bob, I've got such and such a thing." I use him as a sounding board, and also to intervene with the home office if I'm overdrawn, as I am every month, and let him worry about that.

This is a wonderful relationship.

I am sure that the minute my production goes down, he will throw me out the window. But until this happens, it is enough to keep my production up—being able to call on him when I need help. And he's the guy who comes into my office when something goes good and says, "Boy, you did a hell of a job today."



## Sales tips summed up

**DR. SCHIFF:** What are some final, useful tips you would like to pass along to other salesmen?

**MR. ANTIN:** Go see people.

**MR. ASHTON:** I tell people who come into insurance that the first thing they should do is buy a \$100,000 policy on their life. They say they can't afford it, and I say, "Fine, you worry about that, and when you solve that problem you can help your clients solve it for themselves."

That's number one.

Number two, be enthusiastic.

**MR. BORSELLA:** I'd say, "Change your ways," if he isn't fully successful.

**DR. SCHIFF:** Let's assume that he is.

**MR. BORSELLA:** Then I would tell him to make a self-analysis to find out what might be lacking in himself, so that he can do an even better job.

**MR. PIRATZKY:** Quite a few salesmen who never get over the hump enjoy going home at two or three o'clock in the afternoon too many days. If you have a few hours left, make a few more calls. I think the biggest thing is the willingness to work, plus enthusiasm.

**MR. KYLE:** I go back and touch on a point that we covered—evaluation

of your time. Are you using your time and your ability to its maximum? Are you applying yourself in ways that advance your main purpose? and the main purpose, of course, is to sell.

**MR. BORSELLA:** With new men in the medical sales field, what I usually tell them is to make calls. If a salesman doesn't make his calls initially, he will never know what his customers are like. Get to know your customers and of course be enthusiastic and sell with confidence.

**MR. ASHTON:** Don't you all find that there are some people who are rattling around in a selling job, and they shouldn't be there at all?

**DR. SCHIFF:** What you are noting is the need for self-analysis. Should I really be here? Would I be better off somewhere else?

**MR. POTTER:** The time to do that is on your first day in a sales job. You are establishing important precedents that day. You should ask the man to establish immediate goals, and then to establish long-range goals. **END**

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## THINK SMALL

Even huge organizations can take lessons from the way certain little firms operate

AMERICA'S BIGGEST companies traditionally have been the developers of management know-how. General Electric Co., International Business Machines, Standard Oil Co. (New Jersey) and dozens more of our largest corporations have come up with concepts and procedures used both in operations and executive training that lead to better management—and higher profits.

However, there is another wellspring of effective management. It may often lack the aura of academic or scientific recognition or the large budgets of big-company research efforts. But the approaches it produces have an outstanding recommendation: They work, proving themselves in the tough arena of the market place.

This source is none other than the smaller company, whose ideas and methods are forged under result-demanding pressures. Operating closer to the break-even point, the small firm has less room for laxity, error or failure.

Many a larger corporation has developed a healthy respect for the capabilities of its smaller competitors, a respect based on experience. A small competitor beats out one of the bigs on a choice contract; a small company scores a breakthrough in a research area being less successfully explored by a larger firm; occasionally, desirable executive talent is lured away from the big company by a small one offering more challenge and greater freedom.

Granted, there's little need for big firms to worry about being done in by the smalls. Nevertheless, larger firms can learn important lessons from small competitors, lessons that can help the larger firm—and the one whose growth is getting out of hand—to achieve and maintain efficiency. And the small firm can learn its own lessons better.

### *The real differences*

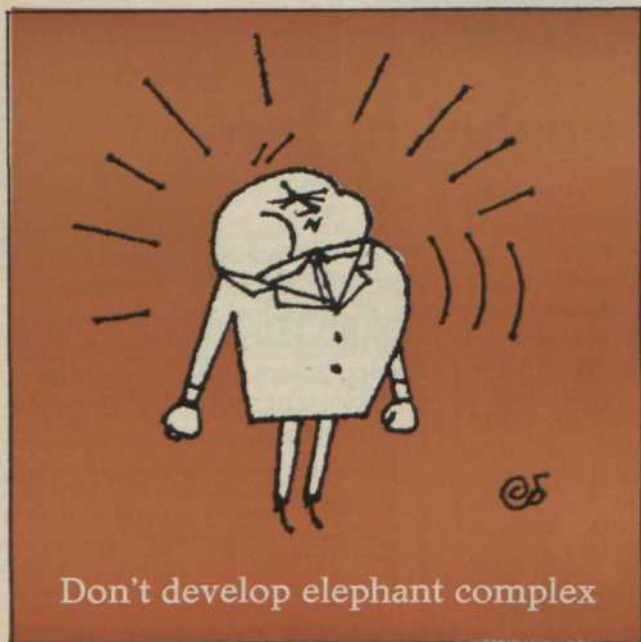
It is sometimes assumed that a large firm is like a small one, only bigger. Nothing could be further from the truth. In addition to size, there are qualitative differences between big and small companies. Some of these differences explain the relative handicaps under which the larger firms operate:

**Organization.** A larger company will necessarily have a more elaborate organizational structure. But organizational differences go beyond mere size. Larger firms develop many more staff and service elements, which add to overhead, and tend toward multiple levels of organization. This often causes many of their organizational problems, including blocked communications, blurred lines of authority, multiple decision-making.

**Employee morale.** There is something about large size that seems to undermine the individual employee's devotion to duty.

This is shown by findings like these: A study of absenteeism in an airline showed that at four small locations having fewer than 300 employees, the rate was 5.9 days of absence per employee per year. At the two largest locations—over 3,000 employees—the rate was 9.4 days.

**Job satisfaction of executives.** Believing that the



small company offers greater emotional satisfactions to its executives, a group of Harvard students has created an organization to improve liaison between graduates and smaller companies. As the Harvard group sees it:

"The firm with a smaller management group offers a greater challenge, an earlier opportunity for contribution, and a correspondingly greater personal opportunity than do some large corporations. The interest in the smaller business is a realization that significant participation and resulting contribution are more readily available to the new employee within a firm having a small, flexible management group."

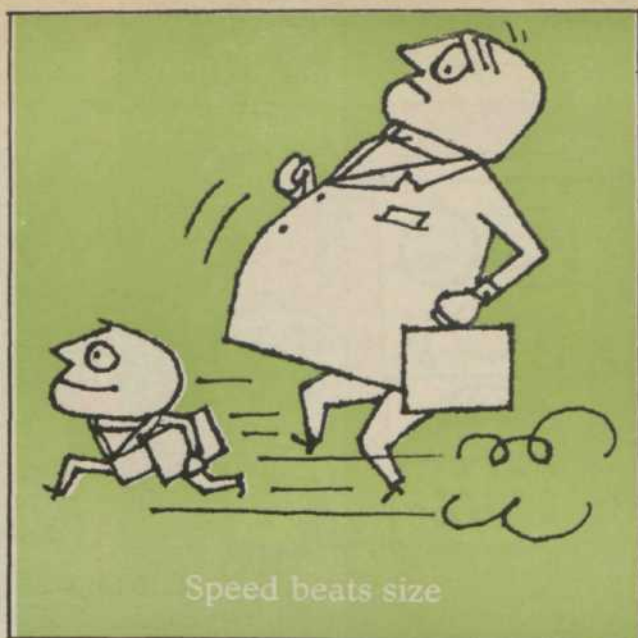
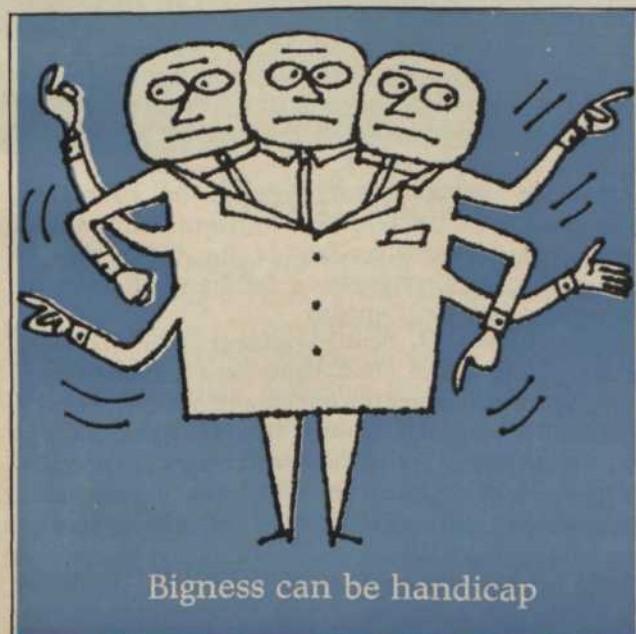
Unlike their small-firm opposite numbers, who see their future in terms of ownership and costs, many big-business executives are more likely to think in terms of promotion and security.

**Methods of operation.** Here is where the big company is often at greatest disadvantage. Procedures often seem so spread out that performance may not follow policy. Decision-making, a key to organizational effectiveness, may be a frequent victim in the large firm.

Says Paul H. Kiernan, of Kiernan and Co., executive recruiters: "There is a major difference between a large and small company in the way decisions are made. In the small company, the decision-maker usually arrives at his decision on the basis of personal knowledge. In the large company, the decision-maker typically makes his decision on the basis of facts, figures—and sometimes the recommendation—supplied to him by others."

**Job control.** The small-company manager tends to have a greater control of his job. Says Dr. Louis Hackemann, president of Hackemann & Associates, San Francisco and New York management counselors:

"In the small company, the individual executive can make things happen. Results are what count. Authority with a small company may be greater, and



there is opportunity to be in closer contact with the board of directors, the owners or the president. The small-company executive's personal goals also lend themselves to creating, inventing, considering new ideas."

There are many benefits of size that larger companies would by no means want to sacrifice and which small companies wish they had—everything from volume buying to the ability to pay six-figure salaries to outstanding executives.

But here are points on which the growing firm might concentrate to avoid some of the handicaps size can impose:

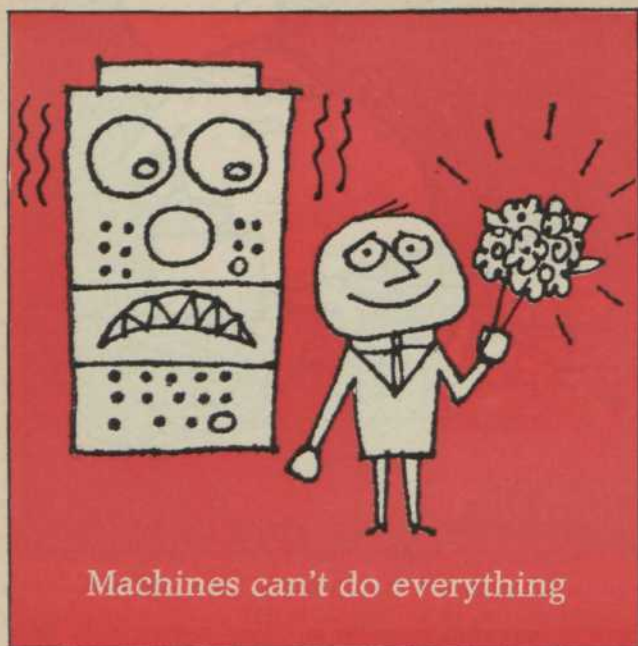
1. Don't develop an elephant complex. The way a company sees itself can be beneficial or devastating. The firm that views itself as large, extensive and sprawling over the business landscape may not suffer from its self-image. But if executives see their organization as being ponderous and slow-moving, then the small-business mouse nibbling at its feet can be frightening.

What's needed here as an antidote is for executives in the top echelons to think of the organization as compact, muscular and alert.

2. Identify the strengths and weaknesses of small rivals. Companies often oversimplify the capabilities of an opponent. Stunned by the speed with which a small competitor was able to service an account, a steel supplier spent considerable time hashing over possible countermeasures. It wasn't until the marketing director pointed out that the rival's capabilities were limited to just a few items that the problem was seen in perspective.

The big company must learn to avoid getting involved in exhausting guerrilla warfare in the competitor's areas of strength. Technology, the traditional big gun of the large firm, should be used wisely in this connection.

The small firm is likely to remain strong in operations not subject to the computer revolution—



unique products, custom production, personal and special services that machines can't handle. The larger firm can afford to be selective; in some cases, deciding not to become active in a given area may be the height of wisdom.

3. Adopt the small company's sense of time. An employee of a large food company recently set about looking for a new job, complaining: "Frankly, I'm frightened. I find myself taking four hours to do something I know I can do in an hour and a half. This is no way to work. I want a job that stimulates me, not one that puts me to sleep." The point is, the company expects the assignment to take four hours.

Despite widespread acceptance of Parkinson's law, that work expands to fit the time available to do it, many larger companies often operate under lax work schedules. This doesn't mean you should put on the screws. But work load and work pace should be in keeping with individual capacity.

The benefits to be gained are not only increased efficiency, but also heightened satisfaction and the self-esteem of the individual who feels he's carrying a man's load.

The larger company that thinks a sure-fire method of acquiring a small-company sense of time is to hire it must be cautious. "An executive moving from a small company to a large one often faces difficulties," comments recruiting consultant Kiernan, who has seen numerous examples of such transfers. "Many a fine performer in the small firm flounders and can't seem to mesh in a big organization. On the other hand, many men who grow up in small companies may reach a point where their experience, maturity and desire to grow give them the basis for success in a larger company. It depends on the individual, his personality and adaptability."

4. Decentralize selectively. Practitioners of organizational planning often admit confusion when faced with the time-honored dilemma of the centralize-decentralize seesaw. With the recentralization that results from automation and the use of computers, the idea of decentralizing may seem impractical. Nevertheless, large organizations have discovered some functions may remain centralized while others are decentralized.

When line functions can be put in the latter category, the shortening of communications lines, the increased flexibility of action can put the big company, at least in selected areas, more on a par with the smaller firm.

5. Centralize selectively. The small company generally benefits from short and uncomplicated communications lines. In addition, the fewer way-stations there are in a communications link, the easier it becomes for informal communications to operate.

While informal communications are less practical for the larger firm, new technological advances make instant communication possible. For example, computers for loading rail and air passenger carriers, hotel bookings and so on now make it possible to centralize scheduling, warehousing, filing systems and the like, regardless of how extensive they may be.

Entire functions, such as purchasing, payroll, inventory control, also may be centralized for larger firms, using computerized equipment and advanced information retrieval systems.

6. Emphasize small group loyalty and identification. A sufficient number of studies, as well as common experience, have established the fact that the individual can develop great emotional ties to a business.

Members' loyalties and emotional involvement tend to be stronger in relation to subordinate groups than to the bigger organization. The college alumnus tends to have stronger ties to the class of '45 than to the university as a whole. Similarly, the employee has greater feeling for the department in which he operates than for the company as a whole.

The organization that makes it possible for the individual to develop a sense of identity with his department or immediate work group by treating it as a unit can expect more in the way of loyalty and interest in job objectives.

But here's where many companies lull themselves into dangerous complacency by so-called "enlightened policies"—such as that of the "open door"—designed to give employees a feeling of closeness to executives and the company.

Says Hermon H. Scott, president of H. H. Scott, of Maynard, Mass., hi-fi equipment manufacturer: "In a small company, the top executives are generally available to anybody at any time within reason. In the big company, even though the top man may be in the same building, it is difficult for anyone to see him without an appointment, open-door policy or not."

Or, as one disgruntled employee put it: "Sure, my boss's door is open—so he can kick people out."

7. Check for organizational blockage. Removal of or-



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ganizational obstacles can put big-company reflexes more on a par with the smaller firm. Managers are familiar with bottlenecks in production. Somewhat the same thing may take place with management procedures. A decision may get hung up somewhere along a chain of command; a communication may fail to penetrate a middle echelon. A number of specific questions can help pinpoint the bottlenecks:

If there is insufficient flow of ideas upward, where is the transmission failure?

If decision-making and implementation are unsatisfactory, where does the hesitation, buck-passing or failure to act take place?

What department tends to get out of step in carrying out company policy? Studies have indicated that everything from pilferage to higher absence rates results from communication blockages typical of some large firms.

Equally important is the need to distinguish between quantity and quality of communication. A weekly house organ may seem a worth-while medium but is useless if nobody reads it. Failure to distinguish between going through the motions and actually producing results is often at the root of poor communications in the larger firm.

As for decision-making, often a major big-company problem, specific procedures tend to point up action-blockage:

*Over-use of committees.* In some companies, there is a tendency toward proliferation of committees for anything and everything—planning, problem-solving, development of ideas.

In other instances, procedures normally given over to one executive are made the responsibility of many. A typical example is the hiring committee. An executive job opening is filled when a committee finally selects the best candidate. The trouble is that under this practice the man who usually gets the job may

not be the best man at all, but merely the one to whom no one on the committee objects.

*Foggy lines of authority.* In some cases, necessary decisions are delayed because of the question of who has the authority to decide. Traditionally, this problem has involved line and staff executives in controversy. In many cases, the personalities of the respective executives cause the confusion. The problem may assume a variety of shapes:

A power-minded top executive may insist on making decisions handled by a subordinate.

An indecisive executive may try to pass a critical decision either up or down the line. The small-firm executive usually lacks this alternative, and therefore tends to make the decisions required anywhere in his area of responsibility.

The big company can force the same degree of decisiveness on its managers by clarifying its policies and procedures of decision-making, pinning down who is responsible for what, seeing that necessary decisions are not delayed. An occasional decision review to see how executives have been scoring with their decisions can clear the lines and stimulate the process.

Larger firms must also be careful to reward individual enterprise.

Big companies sometimes tend to build an atmosphere of apathy and an attitude of let's play it safe. This can only be dissipated by positive policies and action by the company. When an organization, by its rewards—promotion, salary increases and so on—shows that it appreciates original thinking and responsible, tradition-breaking action, it fosters the creativity and drive it must have at all levels to keep moving ahead.

Incidentally, the assumption that big companies pay higher salaries than small ones is not generally substantiated: "There's not much difference in starting salaries between large and small firms," observes Hermon Scott. "Obviously, top salaries in the largest corporations are higher than any small company can pay. But actually, there are few such jobs. I would even go so far as to say that after the first couple of years, the average income for small-company executives tends to be higher than for larger companies."

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## UNFAIR PRACTICES

*continued from page 35*

These decisions cover such vital and often necessarily confidential matters as selling, closing or moving your business, or part of it, and subcontracting.

More is involved in these decisions than simply discussing them with the union. The obligation to bargain with the union carries with it the further restriction that, lacking union consent, you cannot act on your own until you have bargained over a reasonable period and have reached an impasse. This can be a serious handicap when you have to act quickly for sound business reasons.

It also raises the possibility of a strike over a matter that heretofore has been considered strictly a management responsibility.

Consider also the impact of the Board's talk-with-the-union-first rule on business decisions which may demand complete secrecy, such as mergers or selling out.

As most businessmen know, forced delay or public disclosure can be damaging or fatal to many a business deal. When you consider that in most cases there is nothing the union can contribute to the decision, the Board's rule just doesn't make sense—except to speed the trend toward joint participation in management decisions.

In time, I believe, the Board will pull back somewhat from the full scope of its ground-breaking decisions and employers may get some help from the courts, which are showing some reluctance to go all the way with the Board.

### Help for organizing

Unions that seek an equal voice in management but represent less than a majority of a firm's employees don't hesitate to use the Labor Board as a lever to get recognition from employers who resist.

The industrial unions in particular have apprised the agency of their desire for various kinds of assistance in making their organizing drives successful.

Unions have sought, for example: Fragmentation of a larger group of employees into smaller units for bargaining purposes where the union may be able to win an election in the smaller unit but not in the overall group.

Easing of prohibitions against picketing for recognition and organization.

Requirements that employers bar-

gain under certain circumstances even though the union loses a representation election.

Limitations of the rights of employers to communicate with the employees. Recent decisions involving Lord & Taylor, Arnold Constable, Allied Stores, Montgomery Ward and Crown Cafeteria follow these lines.

In the Montgomery Ward case, for instance, the Board decided that only 21 employees in the automotive service department of a Phoenix store, which has some 300 employees, comprise an appropriate bargaining group.

The Board directed that an election be held to decide whether this small group wished to be represented by a union, although in the past the NLRB has regarded a store-wide bargaining unit as the best arrangement for effective labor-management relations in retail establishments.

The Board followed this with another precedent-shattering decision involving Stern's department store, operated by Allied Stores in Paramus, N. J.

It granted a union request that the employees be split into four groups for bargaining purposes—selling, nonselling, restaurant and clerical.

There the union really is seeking to represent all of the store's employees and, in fact, was rejected by them a few years ago in a representation election involving the entire force. The decision to split them up into four groups is simply a device—recognized by a dissenting Board member—to win an election among a smaller group in which the union is strong, and thus establish a foothold which might eventually lead to unionization of the entire store.

By approving this splintering tactic the Board has handed unions a powerful weapon for a successful organizing drive in an industry in which their efforts have thus far been generally rejected by employees.

There has been further criticism recently of two new Board policies. In one, the Board says that when a union loses an election because an employer's conduct may have dissipated the union's majority, the employer must bargain with the union anyhow.

In the other, the Board will recognize union representation cards signed by employees and certify the union as bargaining agent without a secret ballot. The Board knows that employees sometimes sign union

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## UNFAIR PRACTICES

continued

authorization cards just to get the union off their back.

Evidence piles up that the present Labor Board is embarked on a policy of union-management codetermination which parallels what has developed in the socialized countries of Western Europe.

In the United States the NLRB has ruled that union leaders must be consulted on certain management decisions even though there is nothing they can contribute to the

solution of the business problem. The unionists might even bring the discussion to an impasse and strike to prevent execution of management's decision.

The lengths to which the Board goes to make it easier for unions to gain a foothold in a business is comparable to certain European policies that make it impossible for employers to resist unionization.

Rulings, for example, which allow unions to limit the amount of work their members may perform, penalize them for working during a strike, restrict the employer's rights to communicate with union members during negotiations, and require almost continuous bargaining all strengthen the union leader's role in management.

The Board seems bent on strengthening the union as an organization and placing it on a par with management in making decisions which affect jobs. In doing this it is weakening the protection the Taft-Hartley labor law gives to individual employees. In the Board's view, apparently, the union—not the individual—is most important.

In the socialized countries of Western Europe there is usually a highly organized labor movement and a highly organized management group which make policy decisions at the national level, including wage and price restraints.

The Presidential Advisory Committee on Labor-Management Policy, established under the late President Kennedy, could be the start of such joint determinations. Some feel it should deal with wage-price policies. Any step toward centralized decision-making would tend to undermine one of the major foundations of our free enterprise system, however—the right of individual business enterprises to make their own wage-price decisions consistent with a competitive free market.

Corrective legislation—with respect to union organizing, secondary boycotts, picketing, protecting management responsibilities at the bargaining table and limiting the discretion of the Labor Board to influence labor-management relations—is obviously most desirable.

It is important that Congress be aware of the importance of corrective legislation to the economy and our free-enterprise system.

Meanwhile, much can be done without legislation. Business can help the National Labor Relations Board veer from its present course by establishing a close relationship with the Board, as the unions have,

and thus become a more effective countervailing force. It will gain more through constructive and helpful criticism.

Businessmen and their organizations can meet more often with the Board, to impress upon it the realities of business life, and with other administration officials in the labor-management field.

Board members can be made to understand specific problems caused by their policies and decisions.

Business can take a greater interest in the selection of Board members and key staff personnel. It is common knowledge that the appointment of a Board member is cleared with the leadership of organized labor, which normally can exercise a veto power if not making the actual selection.

Since the Board administers the Labor-Management Relations Act, which regulates both employer and union conduct, it is curious that the Administration does not feel constrained to consult business leaders on important Board appointments.

Though many decisions adverse to management interest have already been made, there will be more decisions on different aspects of the same types of problems. Business can work toward getting fairer treatment when they come up for consideration. Just as recent decisions have changed past policies, future decisions can change these.

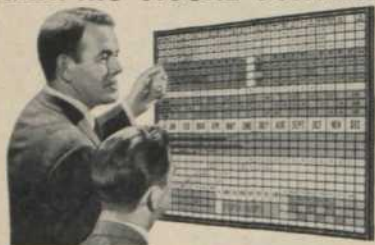
Business has had strong support recently from one highly regarded and objective source. It is the report on "The Public Interest in National Labor Policy" compiled by an independent study group headed by Clark Kerr, president of the University of California.

Dr. Kerr achieved national recognition as an outstanding labor relations mediator and arbitrator before distinguishing himself in the academic field. The study group included other equally distinguished neutrals in the labor-management field, such as David L. Cole, former chief of the Federal Mediation and Conciliation Service, and George W. Taylor, former chairman of the National War Labor Board.

The report cites the need to halt the drift toward excessive regulation in labor-management policies. It points out that the government's policy of requiring employers to bargain in good faith has "developed into an unwarranted intrusion into the business of the parties and a source of voluminous and wasteful litigation."

The report added: "The subjects to be covered, the procedures to be

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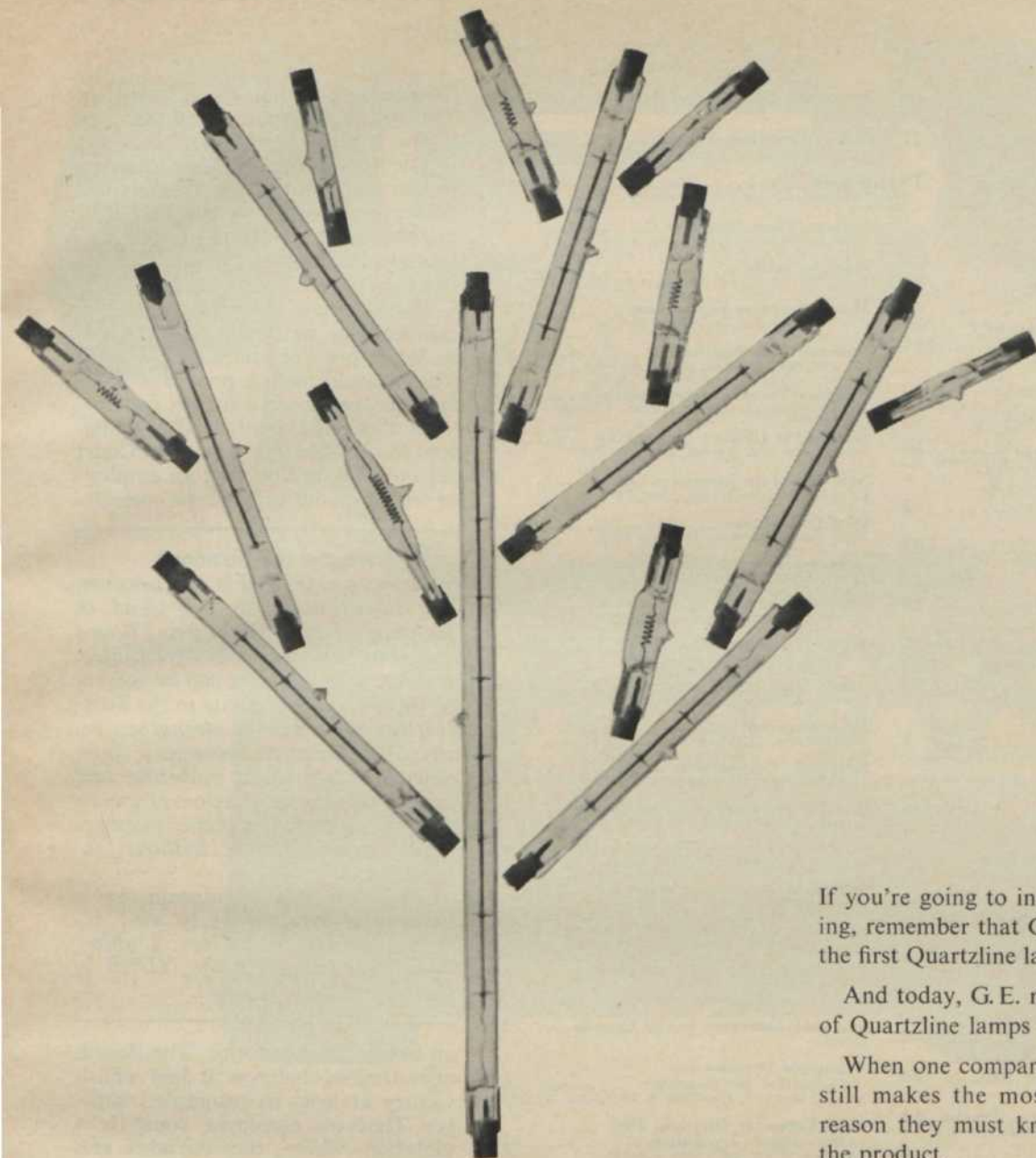
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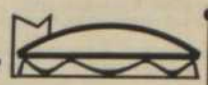
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## UNFAIR PRACTICES

continued

followed, the nuances of strategy involved in bargaining, are best left in the parties themselves."

The appointment of Sam Zagoria, former president of the Washington Newspaper Guild, as the new fifth member of the National Labor Relations Board will not alter the Board's course.

Three recent Supreme Court decisions have written a new chapter in labor law for the Labor Board. They should have a pronounced effect on the Board's future course.

In the much-publicized *Darlington Manufacturing* case the Court rejected the notion that an employer who goes out of business commits

### What's the solution?

Most knowledgeable businessmen are dissatisfied with the trend in *National Labor Relations Board* decisions. They say that better labor management relations can be achieved through amendments to the Taft-Hartley labor law to strengthen restrictions against secondary boycotts and blackmail picketing and protect employers' freedom of speech and the right to exercise management responsibilities without infringement.

Many executives maintain that a basic reform would be to shift authority to decide matters of unfair labor practices from the NLRB to the federal district court.

an unfair labor practice. The Board, nevertheless, believes it has won a victory at least in principle, namely: That an employer commits a violation where the purpose and effect of discontinuing business was to discourage unionization of other parts of the business.

In the *American Shipbuilding* case, the Court held it is legal for an employer to lock out his employees in support of his bargaining position after he reaches an impasse with the union. The *Brown Food Store* case involved a group of employers who bargained as a unit. The Supreme Court held that when the union singles out some of the groups as strike targets, the others may protect themselves by using temporary help.

The important thing about the last two cases on future Board policies is that the Court reprimanded the Board for trying to develop policies—a responsibility reserved for Congress.

END



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